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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2084



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CONTENTS

HUNGARY

Guidelines of Sixth Five-Year Plan Discussed (Ferenc Havasi; <i>PAVSELEST</i> , Dec 80)	1
Hungarian-American Economic Council Meeting Described (HETI VILAGGAZDASAG, 22 Nov 80)	18
Bognar Reflects on Worldwide Economic Development Problems (Jozsef Bognar; <i>KOZGAZDASAGI SZEMLE</i> , Nov 80)	22
Economic Regulation Changes for 1981 Viewed (Peter Medgyessy; <i>NEPSZABADSAG</i> , 3 Dec 80)	29
Modifications in Wage System for 1981 Viewed (Gyorgy Rak; <i>NEPSZABADSAG</i> , 26 Nov 80)	33

POLAND

Decentralization, Effective Management Discussed (Tadeusz Sawczuk; <i>POLITYKA</i> , 18 Oct 80)	37
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YUGOSLAVIA

Zagreb Journalist Critiques Economic Decision-Making (Milan Gavrovic; <i>START</i> , 15-29 Oct 80)	42
Effects of Devaluation Diluted Shortcomings of the Planning Process	
Doronjki Discusses Problems of Self-Management (Stevan Doronjki; <i>JEDNA DANA</i> , 13 Dec 80)	55
Firms From Outside Kosovo Build Projects There (Zarko Bakic; <i>KOMUNIST</i> , 28 Nov 80)	63

GUIDELINES OF SIXTH FIVE-YEAR PLAN DISCUSSED

Budapest PARTELET in Hungarian No 12, Dec 80 pp 3-17

[Article by Ferenc Havasi: "The Sixth Five-Year Plan for the Development of the Economy"*]

[Text] This year's February session of the Central Committee and the 12th Congress dealt with the situation of carrying out the Fifth Five-Year Plan, and the main lessons. Before the ending of the present plan period or the start of the new medium-term economic plan, it is necessary that we express several thoughts about the expected fulfillment of the Fifth Five-Year Plan.

Despite conditions that were more difficult than we expected, we have achieved significant results in the past 5 years following numerous efforts and unselfish work in developing the economy and strengthening the material and technical basis of socialism. In reviewing the development of the past 5 years we can report that we over fulfilled certain goals. For example, despite the reduction carried out in latter years, the investments carried out during the 5 years exceeded the plan. More nurseries and kindergartens were established than planned, and 445,000 to 450,000 houses are being built instead of the planned 435,000. Water utilities have been considerably improved, the number of hospital beds is increasing as well as the number of classrooms for primary schools.

In other areas, primarily the production of agricultural products, we are attaining the planned goals. At the same time a number of important goals—an increase in national income and in industrial and construction industrial production, a higher public consumption and real income and real wages—are not being fulfilled.

In evaluating the situation as it has developed, we must proceed from the fact that the Fifth Five-Year Plan reckoned with changes in the external and internal conditions of management. Therefore, it set as the main goal a strong growth in production efficiency, a more restrained increase in domestic consumption of the national income, and by virtue of all these an improvement in the equilibrium situation of the economy, and in such a way that it called for a relatively dynamic rise in production and in the living standard.

* Edited text of a speech presented at the 13 November 1980 session of the Central Committee.

In the first 3 years of the plan period, however, a production increase which neared the goal was not accompanied by the realization of quality requirements for economic development. The external and internal equilibrium situation deteriorated as compared to the planned improvement. Domestic consumption increased more rapidly than the national income. The imbalance between investments and implementation capacities was intensified, inventory accumulation exceeded the plan, and all this gave rise to a large-scale increase in imports, particularly in 1978.

Despite the many results attained in economic work, the development of the economy in this period did not fully follow the economic policy line conceived in the Fifth Five-Year Plan, and in many important areas it did not meet the requirements stemming from the changing external and internal conditions. Basically, there were two main causes for this. One was that the external economic conditions developed less favorably than estimated, the terms of foreign trade were worse in both trade relations than had been assumed, and capitalist market sales and socialist market imports became more difficult. The other cause was that since the task of restoring the balance proved to be more difficult than assumed the central guidance and the regulator system provided less incentive than intended toward a flexible adjustment to the changing world market circumstances. As a consequence, the improvement of efficiency, the modernization of the production structure, and the intensification of export capability did not reach the necessary extent. In enterprise management there was a one-sided emphasis on an effort at stability.

After the first 3 years of the Fifth Five-Year Plan, it became obvious that by following the quantitative goals of the plan as an end in itself we would inevitably further sharpen the equilibrium problems. Therefore, we had to choose whether to follow the practice of previous years or depart from them accepting the fact that in the numerical sense various goals of the five-year plan would not be fulfilled, but by speeding up the quality changes in economic development we would really start on the course of restoring and solidifying the equilibrium.

Weighing this, the Central Committee decided in December 1978 that the main task of economic work should be to improve the external equilibrium situation of the economy and protect and solidify the living standard already achieved. It also set a goal that production should develop in harmony therewith and development and distribution should adjust thereto. To realize these goals, substantial changes were carried out in 1979 in the guidance of the economy and in the organization of the implementation, and in 1980 a new price and regulator system was introduced.

As a result of all these things, we started to develop processes appropriate to the requirements set forth in this resolution. It is anticipated that in 1980 nonruble trade will be approximately balanced.

As for the domestic equilibrium situation, we succeeded in the past 2 years in maintaining harmony between purchasing power and the commodity base and we improved the investment and employment balance. Although the increase in production and national income is less than estimated, the development of positive processes began in various areas of management. However, the main factor in improving the equilibrium situation during these years was the moderation of domestic consumption, and to a lesser extent an improvement in the international competitiveness and efficiency of production.

The results achieved in recent years are also significant because in 1979-1980 there were again large-scale price rises on the world market, and the recession prevailed over the capitalist world economy. Marketing and credit possibilities became more difficult, and in intra-CEMA commodity trade the conditions for expanding commodity exchange and increasing purchases were reduced despite significant price increases.

The results of the last 2 years of the plan period show the correctness of the provisions in the December 1978 resolution of the Central Committee. All this creates a good basis for working out the Sixth Five-Year Plan and starting its realization.

The External and Internal Conditions of Building Work

The economic policy guidelines of the Fifth Five-Year Plan proceed from the fact that in economic work it is necessary consistently to pursue the economic policy and guidance practice implemented in 1979-1980 and affirmed by the 12th Congress.

In deciding on the goals for the Sixth Five-Year Plan, the planning work considered the situation which had developed by the end of the Fifth Five-Year Plan, and the anticipated external and internal conditions of economic development in the following years. In response to the unfavorable—for Hungary—processes that occurred in the world economy during the Fifth Five-Year Plan period, significant price losses afflicted our economy. To assure the continuous development of the economy, we had to use credits.

External conditions for economic development will not be more favorable during the next five-year plan than they were in 1979-1980. Competition is becoming keener on the capitalist markets; it will be more difficult to sell, to keep markets we already have, and to reduce losses stemming from a deterioration in the terms of trade. Imports from socialist countries can be expanded only to a limited extent, and quality requirements on our exports are being increased. Altered world market price ratios are gradually also being realized in the relations among the socialist countries. Therefore, as a consequence of both our export and import structure we must count on a deterioration in the terms of trade in these relations as well.

As a consequence of all these things, about two-thirds of the national income increment must be devoted to improving the foreign economic equilibrium. We must increase exports substantially faster than imports, and in nonruble commodity trade we must attain an export surplus.

The task is enlarged by the fact that while the source of improvement in the equilibrium situation in the past 2 years has been mostly in the reduction of domestic consumption—including chiefly savings—and the discovery of reserves that were easily mobilizable over the short term. But in the Sixth Five-Year Plan period the basic source of the equilibrium improvement can be nothing else than an increase in production efficiency and international competitiveness, that is, factors that assure a permanent solution.

From the viewpoint of realizing the general economic political direction of the plan, we can regard the experiences we have gained in economic guidance and regulation and in the gradual but firm realization of stricter requirements as a favorable factor. Thus the plan is counting on a gradual but clear transposition of sources for creating and solidifying the equilibrium from distribution to the management and production area.

The Main Goals of the Plan, Its Nature

The main line of economic political actions is the unfolding of intensive development in all spheres of the economy. This will establish the basis for restoring and solidifying the equilibrium of the economy, protecting the living standard that has been attained by the population, and improving living conditions as oriented to real possibilities.

With attention to the possibilities for improving international competitiveness and expanding imports, the growth of the economy is relatively moderate, but a rate exceeding those for the years 1979-1980 can be envisaged. In 5 years the national income can be increased by 14 to 17 percent. Because of the requirements for equilibrium improvements domestic consumption can be raised only to a substantially lesser extent of 3 to 5 percent.

Amid the known and anticipated conditions of economic development, the general economic political directions of the plan and the recommended goals represent the only real road which can provide for the continuous development of the economy, establish a basis for subsequent favorable growth, and solidify the economic basis for social progress.

In working out and defining the directives of the plan, the planning work took into account the modification of the world economic conditions for development and the anticipated effects exercised thereby on our economy.

Consistent realization in practice of the economic political direction put forward by the stricter requirements calls for flexible adjustment and swift, deliberate reaction to unexpected events. That is, the realization of economic political strategy assumes the improvement and widening of maneuverability at every level of guidance.

Taking all this into account in the interest of clear realization of basic economic political requirements and goals, the plan is more flexible than usual, more open in certain questions, and in respect to decisions is of an orientational nature in some cases. This grants possibilities for adjusting to the changing circumstances both in guidance and implementation work.

The economic political program nature of the medium-term plan and the obligations undertaken in a relatively narrow sphere make it possible and necessary that within the framework of the plan we should define the concrete measures continuously and in adjustment with the given situation. Implementation alternatives within the comprehensive goals are to be found above all in the area of developments and investments. The examination and shaping of the possible alternatives is the further task of planning work.

It also stems from the nature of the plan that concrete investment decisions at present can be made in the first years of the plan period; those to be started later—depending on the development of conditions and the successes of economic building work—can be decided in the annual plans. The latter must be worked out in harmony with changing circumstances. Planning work, regulation and the means system must also be brought in harmony with the requirements.

Programs Linked to the Plan

In order to support the general economic political directions of the plan, to shape social action, to discover and utilize reserves, a government program is being prepared to solve various important tasks simultaneously with the plan.

Building on our endowments and exploiting our possibilities more rationally, it appears necessary that industry should meet our domestic and foreign trade demands with better quality and structure, and by its contribution to the national income it should increase more rapidly in production and help more intensively in the improvement of the foreign economic equilibrium.

Linked with these tasks, the previously approved petrochemical, computer technological, and aluminum industrial central development programs are being continued. Pharmaceutical and herbicide manufacture is commencing with it, as well as the implementation of the central development program of the newly beginning electronic industry. In various branches we are working out programs such as energy savings and rationalization, the utilization of wastes and secondary raw materials, and the economic use of domestic wood resources.

The central development program for medicines, herbicides and intermediates in the pharmaceutical industry calls for—above all by raising the ratio of original preparations—a vigorous expansion of exports to the Soviet Union in addition to maintaining world market competitiveness, increasing exports several times, and meeting a greater share of the domestic demand in herbicide manufacture. The basic condition for realizing the program is the development of research activity.

The primary task for the central development program of the electronics industry under the Sixth Five-Year Plan will be to implement the manufacture of electronic, including microelectronic, components. The establishment of a new manufacturing technology requires broad-scale international cooperation, and the coordination and development of research, development and trade activity.

The program designed to exploit domestic wood resources has set as its goal the harmonization between the production and processing of the live wood stock by increasing the utilization of the existing, less valuable stocks and improving the quality of processing.

By a program for utilizing wastes and secondary raw materials, the collection and recycling of various valuable materials will increase by about 25 percent, primarily in the case of paper, used oil, nonferrous metals and plastics.

The economy is faced with an extremely strained task in the energy management program; namely, the 5-year increase in energy consumption should not exceed 10 percent, and the consumption of traditional energy sources—excepting electricity—should remain at the 1980 level. It is our goal to make greater use of the relatively less expensive energy sources, extend the use of energy saving technologies, and make practice of economic consumer habits more general.

In agriculture the main task is a more intensive realization of quality, profitability and economy requirements. It is well known that in agriculture there are significant reserves for increasing the yields besides cost management improvement. We do not make adequate use of the biological capacities of our most important crops. We could substantially and economically raise the present production averages of our large farms if we provided the conditions appropriate to such production. For the sake of an economic increase in yields, it is in our interest to exploit more fully both in crop production and livestock breeding the reserves latent in genetic and biological capacity.

Regarding the development of agriculture, we must mention those tasks which in this branch are represented by better utilization of protein sources, the intensified protection of the quality of arable land and soil, and the development of meadow and pasture management.

We need to realize in every area of socio-economic life the requirements stemming from the changes that have taken place in the conditions of economic development. Therefore, in the year that faces us it is important both from the political and economic point of view for rational and economic management to prevail both in production and in community and individual consumption.

The economic program is of special importance in respect to social public expenditures, but we shall continue to assure the carrying out of tasks which affect wide classes of the population. Of course, we must strive in these areas as well for rational consumption. In certain areas of culture, administration and the infrastructure, on the other hand, we can realize only a more moderate rate of development than we had formerly thought, and we can meet the stricter requirements only by new-type guidance and management and by a better and more complex use of the institutional network.

We must more intensively discover the possibilities latent in institutional integration, organizational amalgamation, better exploitation of capacities, personnel management and other measures which reduce expenditures. To this end and in the sense of the resolution in force, each ministry must continuously study the existing institutional system, eliminate parallels, and overlapping and excessive fragmentation of guidance.

Considering the World Economic Situation

In connection with the general 5-year direction of our economic development and judging our economic political strategy, we need to outline three questions:

1. Is the plan suitable to give a positive reply for the tasks stemming from the international economic and political changes?

2. Are the requirements for the intensive phase of development expressed in the plan, and does the plan meet these requirements?

3. Does the plan and its realization assure the economic and material conditions necessary for maintaining a balanced domestic political situation and atmosphere?

As for the first question, important and lasting changes have occurred in recent years in the world economy. These are expressed in a significant change in prices and price ratios; in the more difficult selling and buying possibilities on the world market; in the permanency of the capitalist world economic crisis and in the intensification of discriminatory and protectionist trends in the appearance of some of the developing countries as market competitors; in the problems of the CEMA countries in transforming their economies to intensive development and in the temporary reduction of their relations among one another; and in the uncertainties of the capitalist international economic and financial system.

Simultaneous with changes in the world economic processes, we are witness to political events which make the further development of international economic relations more difficult because of the standstill in the detente process.

Because of the international openness of our economy stemming from its endowments, economic structure and the requirements for increased efficiency, it must, parallel with its increased development, join more vigorously in international work distribution, enjoy its advantages, and share in its problems. The success of our economic building work depends to a great extent, therefore, on how we can develop our international economic and commercial relations, exploit its advantages, and reduce the unfavorable effects.

Taking into account the experiences of years past and our economic endowments, we worked out the Sixth Five-Year Plan in such a way that

--it does not respond by shutting itself off from world economic changes, rather it basically sets forth export-oriented and rational import substitution lines of development;

--it calls for a structural transformation for intensifying international competitiveness and flexible adjustment to external conditions;

--in the interest of improving the equilibrium situation and establishing the basis for continuous and balanced progress, it counts on a more rapid increase of exports than imports.

The realization of these requirements is expressed in the producer price system which corresponds to the new international value system and follows export prices, in the financial regulators which emphasize profitability requirements and export incentives, in a selective investment and credit policy that serves competitiveness growth, and in rationalization programs directed at reducing material and energy demand.

Besides the expansion of traditional foreign trade relations, emphasis is being placed on long-term production and technical-scientific cooperation; on the purchase and economic utilization of licenses and manufacturing processes; the expansion of

participation in joint undertakings; the development of a relations system between production and foreign trade; the improvement of foreign trade market organization and price work; the expansion of so-called third market cooperation based on mutual advantages, and the adaptation of modern enterprise guidance methods appropriate to these requirements. With all these things we seek to secure a broadening of our market relations and in certain special areas gradually bring the technical-engineering level closer to the international vanguard which is standard for us.

Simultaneous with the development of international economic relations, our task—in harmony with the changes in the international political situation—is to strengthen our alliance and cooperation with the Soviet Union, the countries of the socialist community, and contribute to further strengthening the defensive power of the Warsaw Pact.

This conviction of ours is also expressed in the fact that under the Sixth Five-Year Plan—in accordance with our contractual obligations and economic possibilities—we shall develop and modernize our armed forces.

It is also an important requirement that we use rationally and economically the material means devoted to defense. This must also be promoted with various organizational and rationalization measures for increasing the defense capability.

The Intensive Road to Development

As for the other question, the conversion to intensive development, we may say that it is not an easy task in itself to meet changing international conditions. At the same time it is well known that domestically also the internal conditions of development have changed. Extensive growth reserves have been exhausted.

The unfolding of intensive development based on quality factors has become unpostponable. The Sixth Five-Year Plan is making the realization of this requirement a task of key importance in the coming years, and it regards the solidification of the equilibrium situation as a basic task. Accordingly, it reckons that under the given conditions this task can be solved only by a more solid quantitative growth than before. This is also reflected in the numerical goals of the plan.

In an intensive development phase and particularly in the transitional period thereto, the growth rate is of necessity more moderate than in a period of extensive development. In the coming years we can only call for a rate of development which is in harmony with the equilibrium requirements and with an efficiency increase based on structural changes of production. That is, the extent of economic growth depends basically on what results we can achieve in raising the level of management.

The plan includes low quantitative and high efficiency goals. Their realization is no lesser task than the earlier ones, and in fact progress based on quality factors places substantially higher requirements on the work we perform in every area of socio-economic life.

The targeted annual growth rate of 3 percent—taking international forecasts into account—corresponds to the average rate for CEMA countries. In most of the developed capitalist countries they are counting on a lower growth. The forcing of a faster increase might be accompanied by a deterioration of the equilibrium because of an import requirement that we could not counter with economic exports.

If our work should be more successful than assumed in the plan and foreign economic conditions should develop more favorably than estimated, the growth may also be somewhat more rapid. We must strive for this in implementing the plan. Surplus sources possibly deriving therefrom should be devoted primarily to establishing more securely the basis for the economic political line of direction and to intensifying the competitiveness of production. This would exercise a beneficial effect on every area of economic life including the improvement of living conditions.

To begin intensive development based on quality factors, the plan also reckons that

--productivity will increase faster than production, the efficiency of live work will grow significantly, the number of workers in the material branches will decline about 2.5 percent, and production per person will rise by approximately 20 percent;

--in comparison to production, material outlays will develop more favorably, the inventory demand of production and selling will be moderated, and inventory management will be improved. We will need an energy consumption increase of 0.6 to 0.7 percent and an inventory increase of 0.7 to 0.8 percent per unit increase in national income as compared to the earlier period when energy consumption and national income increased at substantially the same rate, and the inventory growth surpassed it significantly;

--with an accelerated scientific and technical development appropriate to structural transformation requirements, we shall also make progress in quality improvement and increased profitability.

An economic development reflecting the planned quality changes can be established only on a production increase differentiated by branch and enterprise and adjusting to efficiency requirements. It is therefore basically important that production appropriate to demand should have the right to exist. Only the expansion of economic export, the rational substitution of import, and the profitable satisfaction of domestic demand with ability to pay is the road that can lead to production growth. All this requires a vigorous rearrangement in production, development and employment.

It is necessary that our regulator system should stimulate an outstandingly rapid development in our enterprises that are managing efficiently, and at the same time--chiefly in the processing industry--it should force the elimination of uneconomic production. If an organization that is managing at a loss cannot be made economical, a profile change must be introduced in the program.

Rapid adjustment to changing conditions and cost reduction can be attained only by increasing the independence and enterprising readiness of the enterprises and by vigorously improving the level of leadership. Therefore the whole central guidance places strict requirements on enterprise management and leadership and the managing units are not released from under this requirement.

The basic condition for realizing production goals is that the level of development activity should be raised, the ratio devoted to the creation of new capacities within investments should be reduced, and the modernization, reconstruction and supplementing of existing machinery and equipment should be increased. This will also make it possible to reduce the ratio of construction within producer investments. But only in those areas will it be possible to carry out modernization and reconstruction where these effectively serve to increase competitiveness and the improvement of the equilibrium situation.

Within investments of similar volume in the socialist sector during the past 5 years, an increasing ratio of producer investments were tied down by the development of basic material manufacture and energetics. Thus in comparison to the tasks the development possibility is relatively small in the processing industry, which makes the efficiency requirements more strict and at the same time more strained.

In judging the investment level, we must bear in mind also that the 1,020 to 1,040 billion forints called for in the plan is a very significant sum. If this is well managed everywhere during the realization of the plan, we can make substantial progress in the modernization of production, technical development, establishing the basis for long-term development, and improving living conditions.

The share of the enterprises in industrial construction and agricultural investments is increasing, as well as the importance of credits awarded on basis of competition. The role of state supports is declining in enterprise developments.

An important condition for the development of quality indicators is that we should use rationally the significant sums, that is, more than 100 billion forints in 5 years, that can be devoted to scientific research and technical development.

The basic conditions for realizing the general economic political direction is an increase in work productivity. This requires a significant improvement in manpower management. Accordingly, the maintenance of employment and a strong improvement in the efficiency of live work can be realized together.

In addition to a more rational personnel management than heretofore, the transformation of the product and activity structure calls for an improvement in work organization and discipline, a speeding up of the regrouping of economically unemployable manpower to more effective areas within an enterprise and among enterprises, and an appropriate reshaping of structural changes.

If there is an increase in production and productivity as targeted, manpower in the industrial and construction industrial branches can be reduced by about 120,000 persons. The ability of agriculture and the basic activities to release manpower will decline, while the number employed in supplementary subordinate activities will expand further. The number employed in infrastructural branches may decline by about 100,000 persons in 5 years. Most of them can be employed in health and educational branches.

A rise in employment efficiency can be assured only if we realize more clearly than before the socialist principle of distribution according to work depending on achievements, that is, wages should be adjusted to the quantity, quality, and results of the work performed and differentiated accordingly. The average real wage per one earner will remain unchanged in the coming years. But the material situation of those with outstanding achievements will improve, whereas the maintenance of real wages for those not improving their achievements, or improving them only to a small extent, cannot be guaranteed.

Significant progress in the improvement of work and living conditions is represented by the fact that in 1982 we shall change over to a 5-day work week. It will be advisable to carry out this change with an actual working time of 42 hours not counting time for lunch.

Balanced Internal Political Relations

In the present phase of economic development it is particularly important for the building of socialism to assure a calm and balanced internal political atmosphere. A basic role is played in this by the living standard policy.

The permanent goal of our living standard policy has not been changed. We continue to strive for the building of socialism together with a systematic growth in the people's welfare. The goal of the Sixth Five-Year Plan is to guard and solidify the results attained thus far in the living standard, and to continue improving living conditions. Weighing the situation realistically, we could not at this time set ourselves a greater task.

The task is not spectacular, but still it requires very great efforts. We need better work to maintain the attained level and establish the basis for further development. The development of the living standard and of living conditions depends in the final analysis on the results of our work. We are tightening the requirements on work and the acquisition of income, and on the other hand improving the conditions for spending acquired income.

We can assure the protection of the living standard and the prescribed increase in public consumption only if the ratio of consumption in national income rises from 81 to 83 percent in the considerably more moderately increasing domestic consumption, while the ratio of savings is correspondingly reduced.

The population's total consumption can be increased only slightly in the coming years. But the living standard is not equal to income and consumption. It includes living and working conditions, infrastructural and other factors, as well as the noneconomic elements of life style. An improvement in living conditions can favorably influence the general social atmosphere.

We regard it as most important to guard the basic achievements of our socialist development: security of life, full employment, real income level, the valuable elements of our social allowance system, and an adequate level of commodity supply.

Maintaining the living standard does not mean, of course, that the income of every single family and of every citizen will remain at the present level. It is in our elementary interest, to be sure, that the quality and quantity of work performed and the difference in achievement should be better reflected than at present in incomes deriving from work.

At the same time, we wish to realize on the other hand better than heretofore the other aspect of our socialist distribution policy that the differences independent of work and deriving largely from variations in family size and other social causes should be reduced by virtue of further development of the system of social allowances. Therefore the improvement of distribution relations and the reduction of social inequalities is accompanied by a smaller modification of income ratios, primarily within certain classes.

The ratio of social allowances is increasing in the population's income, and in fact the increment in the real income of the population--along with an unchanged level of real wages in the economic average--derives in its entirety from social allowances.

It continues to be an important goal to reduce the differences deriving from varying family size in per capita income. To this end, we must maintain the real value of allowances for families with three or more children as well as of pensions below the average, while we must raise the real value of the lowest pension. To maintain the level of allowances in kind we shall keep the real value of health and food norms for social and educational institutions. We shall increase somewhat the allowance of families with two children, as well as child care assistance, scholarships and social assistance.

We want to use material means available for social goals primarily to improve the living conditions of classes that are living in more difficult circumstances and from many points of view in a disadvantaged situation. A social sense of justice also dictates that large families and elderly in need should be the first to feel the increased social care.

We need to devote greater care to social assistance for families with children and to improving the conditions for child acceptance. Within the given possibilities, we must assure for youth the appropriate social conditions for learning, employment, starting a career, founding a family, and obtaining a house.

It is an important condition for maintaining the living standard that we continue to keep the population's commodity and service provisions balanced, and improve them in certain areas. To this end, we must enlarge the production influencing and organizing role of commerce, improve the research of demand, and promote the expansion of the various forms of consumer item imports. For more secure provisions and the expansion of supply, we must rely more on the commodity producing and service activities of small and medium-sized operations, on small private industry, and on supplementary farms.

One of the important supplementary sources of our development is the independent activity of the population on auxiliary farms. Our social interest is linked to improving the conditions and organization of this activity. Within the limits of good sense, work performed in free time, commodity production for one's own needs and for marketing, and services are profitable both for the individual and society. Social recognition for additional income stemming therefrom, proportional to the work, must be promoted by political and legal means.

Improvement of Housing and Health Provisions

In the more coordinated than hitherto development of the population's infrastructure, we wish to devote resources primarily to the development of special areas affecting broader social classes, for the easing of well-known social strains. A special program for establishing the basis of the plan goals is being prepared to develop housing and health provisions and to increase the number of classrooms in general schools.

On the basis of the Central Committee's resolution on housing construction and management valid until 1990, the implementation of the 15-year housing construction program will continue into the Sixth Five-Year Plan, and there will also be opportunity for further development of the housing distribution and management system.

According to the proposal, 370,000 to 390,000 houses will be built in the framework of the 5-year housing program, and 100,000 state houses will be renovated and 40,000 to 50,000 houses will be provided with conveniences. We wish to devote special attention to improving the housing stock in Budapest and the five big cities. As a result of housing construction, renovation and modernization, the living conditions of approximately one-half million families will be improved. The number of those demanding houses will be gradually reduced from the present 400,000 to about 220,000 or 230,000. Within this there will be a decline in the number and ratio of those who do not have an independent house, and there will be an increase in the demand for quality housing exchange.

Through state and social efforts we have achieved in the past two decades great results in improving the housing situation. The rate of housing construction is noteworthy even by international comparison. The composition of the housing stock has also improved in quality. It is now necessary that in addition to carrying out continuously significant housing construction we make better use than heretofore of the possibilities latent in the development of housing management, the modernization of existing houses, and the expansion of exchanges.

Of basic importance to improving the housing situation is the ability to obtain a house and the modernization of the supply system. The essence of this is a more consistent realization of social justice, the realization of a more proportional bearing of burdens, and the protection and more rational utilization of the existing housing stock.

During the Fifth Five-Year Plan we devoted about 47 billion forints to the maintenance, renovation and modernization of state tenement houses. Among other things, these tasks include the improvement and exchange of pipes and equipment in the buildings, external refronting, and raising the level of conveniences. Sixty percent of the necessary expenditures during the plan period were covered by the state budget and 40 percent by housing rents and other housing fees. As compared to the Fifth Five-Year Plan, state support will increase by about two times. As compared to the past plan period, the number of modernized houses will increase almost threefold.

By developing a housing exchange system well adapted to the changing demands, a growing part of the housing needs can be met in such a way that families will progressively acquire houses of appropriate size in harmony with the size of the family. For widening the use of housing exchanges, it is indispensably necessary that the councils should use a part of the expanding housing base for this purpose.

The task related to the development of housing supply and management can be gradually realized during the plan period. As a first measure, we will modify the financial conditions for acquiring a house in 1981. The comprehensive further development of the housing distribution and management system may take place in 1982-1983.

The financial measures proposed for 1981 will increase the financial burdens of about 90,000 families which will acquire state tenements or houses sold by councils, while the financial burdens of about 30,000 lower income families with a number of children will be reduced or dispensed with. The financial conditions of about 160,000 families building traditional or multiple family houses will be more favorable than before. The new measures will be more helpful to personal housing construction by young people and families with a number of children.

We regard it as a special task of the Sixth Five-Year Plan to develop health facilities quantitatively and qualitatively. This goal will be served by a more than 50 percent greater investment and renovation outlay and by increased budget expenditures of 8 to 9 percent. We wish to improve primarily the conditions of facilities for bed patients and basic needs. As a result of new hospital construction and reconstruction, 6,500 to 7,000 new beds will be made available. The technical state of equipment and instruments is improving. Dental and pediatric care facilities are also improving significantly.

Because of the significant increase in the number of children of general school age, it is a special task to establish 5,500 to 6,000 general school classrooms by means of new buildings, expansions and reorganizations. An increase in the number of teachers and an expansion in the number of classrooms will make it possible to prevent a deterioration in the level of general school facilities, and in fact to bring about an improvement in some cases. Sixty percent of the classrooms will be established in cities and special settlements.

In order to have a better sense of the results achieved in the living standard and for living conditions to be more favorable, we must free ourselves of the faults which at first glance appear to be insignificant, but are irksome to many from day to day. In administration, for example, we must make the procedural work more simple and exact for the public; we must improve shopping conditions, protection of consumer interest, legal assistance services, and we must cut back on bureaucracy, and unconscionable attitudes.

In these areas we can make the successes attained thus far more valuable without particular additional outlays and through conscientious, careful work, and the wide-scale participation of the population; and we can influence the public atmosphere advantageously through appropriate use of possibilities. We must promote all this with the broad-scale development of social activity, initiative, and socialist democracy.

Development of the Guidance and Incentive System

The realization of the economic and social directions of development shaped for the next five-year plan period and of the main goals conceived in the plan will present great but solvable tasks to our entire society.

One of the basic conditions for the well-founded nature of the tasks is the fact that in addition to using the experiences of past years we have a coordinated means system that is in harmony with our economic goals and gives sufficient incentive and forceful strength to implementation. It may be regarded as favorable that in the recent past with the shaping of the main directions of economic development we have largely worked out at the same time the changes necessary in economic guidance and in the condition and means system of management.

We have modernized central economic guidance, planning, regulation, and the organizational system in such a way that with the improvement of the external equilibrium situation it will promote the solidification of the internal balance relations, above all a better harmony between commodity base and purchasing power, as well as between budgetary receipts and expenditures.

Accordingly, we have been and will be taking those measures which are designed to increase the effectiveness of state economic guidance work at the highest governmental level as well as the functional and branch guidance level. Our main effort is that state economic guidance, based on the economic plan, should be capable of rapid and expert decisions and coordinated and unified action in execution.

To do this, it is necessary to strengthen the role of central planning. In harmonizing the economic processes, we must clearly decide who is responsible and for what. In the frame of economic planning work, we must shape the means and methods for rapid and flexible adjustment to changing external and internal conditions. We must assure the possibility that there will be a way for operational control and for diverting processes that depart from the plan in an unfavorable way into the appropriate channel.

The central guidance must set definite, clear lines of direction for the development of enterprise management so that the initiative and the creativity of the independently responsible enterprise management and of the enterprise collectives will develop as fully as possible, assuring at the same time a coordinated activity. We need to control and guide the enterprises by avoiding detailed, bureaucratic intervention in the daily management problems.

The price and financial regulation system introduced in 1980 can well serve the realization of economic political goals and the solution of the tasks facing the producer sphere. The development of the economic regulator system puts higher requirements on the managers, makes the conditions of management more strict, and better expresses the central will. Taking all this as the base, it shapes price, cost, revenue and management conditions under which the efficiency of enterprise work can be measured by an international yardstick.

It is important that the basic principles of the system should be consistently realized, and the supports and preferences provided for temporary periods be gradually eliminated. Corrections which prove justified must be consistently realized by economic guidance, and at the same time efforts directed at one-time differentiation and loosening of the efficiency requirements must be averted. In this way, not only the system's orientation strength will be intensified but also its incentive and compelling strength toward efficiency improvement.

These measures may be accompanied by clashes and conflicts of interest which are more frequent and stronger than at present. It is necessary to solve in a progressive way the accompaniments for realizing these efficiency and balance requirements and for consciously undertaking them.

We must make the modernization of the enterprise organization an organic part of guidance development as well as the development of the conditions necessary for establishing new medium-sized and small enterprises, the partial dissolution of measures limiting the profile and activity scope of the enterprises, and the development of new undertaking forms.

Nevertheless, we also need to work out measures which will promote moderation of the unjustified organizational fragmentation of production and marketing, the intensive link between producers and consumers, and better cooperation of the producer, foreign trade and domestic trade enterprises.

In order to develop the initiative and risk-taking willingness of the enterprises, we must give greater moral and material rewards to the economic leaders who are successful and responsible. In respect to leaders, on the other hand, who are not able to satisfy the greater requirements we must use more resolutely than heretofore the means of cadre change.

Useful Debates--Valuable Observations

The preliminary guidelines of the five-year plan have been debated by the leading bodies of the social and scientific organs, and the megye party committees have also expressed their views. The debates were permeated with a sense of responsibility and were very useful. Everywhere they have expressed their agreement with and support for the basic economic and political goals and tasks in that the most important goal is the improvement of the equilibrium situation of the economy, the vigorous growth of production efficiency, and the solidification of the living standard already attained.

They approved the fact that the economic political nature was more marked in a plan that contained fewer, but all the necessary numerical particulars. They hailed the fact that simultaneously with the approval of the economic plan social programs will also be worked out.

A considerable portion of the suggestions can be made use of before the plan is finalized. These include, for example, improvement in the quality of products for the domestic market, prevention of the intensification of technological lag, recognition of the enterprise spirit, increased protection of arable land, improvement in the level of housing maintenance and services, and so forth.

It was brought out in the debates that the goals for infrastructural development are centered in the capital city, that the share of the capital city is excessively large in the sums that can be devoted to council investments, including housing construction and renovation, and it was regarded as necessary that greater attention be paid also to the five other large cities besides Budapest. The guidelines of the plan call for a more vigorous than average development of the capital city infrastructure because this is where the greatest strains are. Nevertheless, and also as a result of the debates, the plan targets as a special task the improvement of the housing situation in the five large cities.

Another group of suggestions are of the kind whose realization will require a longer time. These include the development of a long-range technical development policy, better utilization of natural resources, and modernization of the teaching structure.

Observations were also made which primarily for economic reasons we could not accept. Thus for example, there is no way to increase the real value of earnings and to expand the scope of social allowances simultaneously with an increase in social allowances.

Taking everything into account, the social debates were useful and good, they reached their goals.

The Sixth Five-Year Plan places realistic goals before our society. We can proclaim the plan with conviction as our own program since it undertakes no less to continue under substantially more difficult conditions the economic building work, help the economy on a path of new growth, develop intensive resources and put them in the service of development, improve living conditions, protect the living standard we have attained, and establish the basis of a later upswing of progress.

The realization of the plan calls for work, industry and discipline from the members of society, at the same time it offers security of life, prosperity, culture and manifold forms of care to the working people.

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HUNGARIAN-AMERICAN ECONOMIC COUNCIL MEETING DESCRIBED

Budapest HETI VILAGGAZDASAG in Hungarian No 47, 22 Nov 80 pp 24-26

[Article: "Hungarian-American Relations, Texas Rendezvous"]

[Text] The Hungarian-American Economic Council met for 2 days in October in Houston, Texas, at the peak of the American election campaign. For that reason there was great emphasis at the conference on the effect the political developments would have on the economic relations which have been evolving recently at an accelerating rate between the two countries.

There was a time when the general economic view in Hungary branded as foolhardy any enterprise which dared to enter the lion's den of the U.S. market. Today they are only characterized as "bold," which is tantamount to recognition. Opinions regarding the possibilities for Hungarian products on the American market have changed for a number of reasons in the past several years. Perhaps the most important was that in 1978 the serious obstacles raised by the protectionist American commercial policy was removed from the path to the development of commercial relations. This policy had afflicted trade between the two countries with discriminatory measures as a result of which such high tariffs were placed on Hungarian products in the United States that they were, practically speaking, noncompetitive from the start.

Of convincing force were also the successes of those who despite everything committed themselves to the ground-breaking effort. It was proven that Hungarian commodities could appear on the American market, and although the requirements are great they are not unfulfillable. Consider, for example, only the prospering canned ham exports of the Papa and Kaposvar meat plants or the successes of Tungsram-Action, the joint United Incandescent and American enterprise; or the fact that for years the Tannimpex foreign trade enterprise has been selling Hungarian shoes and leather goods in the United States.

Within a few years, more and more Hungarian and American firms have offered to undertake business or even closer cooperative joint collaboration. The ground for the good "harvest" was prepared by bilateral, government-level bank and chamber of commerce meetings, business trips, and exhibitions. This was done to such an extent that in 5 years the two-way commodity trade doubled: and within this, Hungarian exports quadrupled and U.S. deliveries to Hungary increased by about one and one-half times, even though the balance in the terms of trade is still strongly tilted in favor of the overseas parties. It is anticipated already that this year's commodity trade will reach 335 million dollars—of course this still amounts only to about 3 percent of the total Hungarian trade in convertible accounts—and of this about 40 percent consists of Hungarian exports, while in 1975 this came to only 22 percent.

About 22-25 percent of our exports in 1977 still consisted of materials and consumer industrial items and almost one-half of agricultural and food industry products. But in the past 3 years the trade has undergone a considerable structural change. The export of agricultural and food products has declined to almost 30 percent, while the ratio of machine industry items has increased, to a respectable extent, from 3 percent to more than 14 percent. This substantial increase was primarily linked to the delivery of running gear and vehicle components, but the export of machine tools also had a promising start.

Within Hungarian-American trade relations cooperation projects are on the increase. In the past several years, 66 such contracts have been signed, decisively among the machine industry enterprises but there is also some cooperation in light industry and agriculture. It is worthwhile to make special mention of several of the most recent cooperation agreements which were signed last year: Crown Coach and Mogurt Icarus agree on the delivery of buses; the Ingersoll Rand Company and the Chemokomplex-Ganz MAVAG signed documents on the manufacture of "twin" irrigation sprinkling equipment and mining industry hydraulic machinery; Videoton purchased a license for a linear printer (sornyomtato) from Dataproducts; and Biogal has started on cooperation with the pharmaceutical firm Eli-Lilly Company. Videoton is continuing negotiations on the joint manufacture of magnetic disc storages (magneses lemeztarolok), and Gamma quartz crystal manufacture is negotiating with American firms on the production of intermediaries by the Budapest Chemical Works.

Among the incentives to the development of Hungarian-American trade we must emphasize the activity of the Hungarian-American Economic Council. This forum was created 5 years ago by the chambers of commerce of the two countries in order to discover mutual possibilities. As the years passed, more and more enterprises on both sides joined in the work of the Council. On the Hungarian side we have such flagbearers of exports to the New World as, for example, the Raba Hungarian Railroad Car and Machine Factory, the Babolna Agricultural Combine, United Incandescent, the Taurus Rubber Industry Enterprise, and the Technoimplex Machine Industry Foreign Trade Enterprise, the organizer of the cooperation projects, Intercooperation Limited and Tannimpex, the directing manager of which became the head of the Hungarian delegation after several years' of experience in the commercial office in Washington.

Among the American delegation also there are impressive company names. Let us list some examples: American Cyanamid, Atlanta Corporation, International Harvester, Corning Glass, Dataproducts, Nashua Corporation, Araco Incorporated, Monsanto Company, Steiger Tractor, Hesston Corporation, Eaton Corporation, Ingersoll Products Corporation, and last but not at all least the Occidental Petroleum concern, whose vice president is Soltan Merszei, the chairman of the Council's American delegation and who earlier had personally undertaken the important mission in vitalizing relationships as a leading official of the Dow Chemical concern.

The Council meets annually and alternately in Hungary and the United States. The meetings were held in Budapest in 1975, 1977, and 1979; in Washington in 1976, in Chicago in 1978, and this year in Houston.

Attention at these meetings is concentrated on the expansion of information, for this is the precondition for the establishment of new ties. In addition to the general economic political accounts, the professional section meetings are particularly useful at which the experts in a selected area discuss the problems which have arisen in the course of cooperation, and the chances for expansion. Two years ago section meetings were held on chemical, food and textiles in Chicago, and last year in Budapest water management and the manufacture of agricultural machinery were on the agenda.

**The Most Important Products in Hungarian-American
Trade in 1979 (in million dollars)**

Export

Tractor components, running gear, vehicle components	28.4
Canned meat (ham bacon)	25.6
Light bulbs	9.6
Textiles, ready wear	7.7
Women's shoes, leather dress items	8.6
Spice paprika, wine, brandy, cheese	7.0

Import

Soy meal	27.4
Machine industry and electronic components	16.7
Agricultural and vehicle spare parts	15.0
Superphosphate	11.7
Basic pharmaceutical materials	7.2
Raw cowhide	7.1

This year's Council meeting in the capital city of Texas could not, of course, free itself from the surrounding atmosphere which was at that time permeated with the excitement of the presidential elections. Thus particular interest was shown among the talks given by the American side to the analysis made by Downey, the former deputy minister of commerce, regarding those changes in East-West trade which could be expected after the elections. He said that one could count on the strengthening of protectionism in respect to exports directed to the United States; he added that there is prospect for such legal practice on part of the Department of Justice and the legislature as will reduce the competitiveness of import goods by means of anti-dumping laws, detailed examination of prices and contracts, and import restrictions. The government will not support American exports by financial means, or only to a small extent. Difficulties can also be expected in the export of high-level technologies. And although according to Downey, the political winds could be resisted ("The joint efforts and conscious actions of American and Hungarian businessmen may bring success"), Zoltan Merszei also seemed indirectly to support his gloomy forecasts when he emphasized: "Administrative difficulties in export-import licenses may make the participation of the United States in international trade problematical."

Like his fellow countrymen, Deputy Minister of Trade Nath, pledged himself to support a broadening of relations. Taking their stance in concrete matters, the Hungarian speakers analyzed the conditions for further progress. These were summarized as follows under three headings by Jozsef Molnar, Hungarian delegation chairman.

A condition for long-range cooperation is that the most favored nation principle be stabilized for Hungary; the present annual renewal system is not favorable to the development of permanent relations.

We need to widen the scope of the cooperating Hungarian and American enterprises through the participation of small and medium-sized enterprises.

We must have a mutually better and a profounder understanding of those economic laws, rules which influence business life in the United States and Hungary.

Of course, all this cannot be done from one day to the next. To assure, however, that these requirements do not remain only pious wishes, Istvan Nadori, economist, gave a detailed review of the Hungarian economic situation, our commercial policy, and our economic regulator system.

Thereafter the participants at the Council meeting could choose among four sectional meetings. Concrete possibilities of cooperation were discussed in the dealing sections with energy management and industrial services (banks, insurance, deliveries). Among the two other sections with more general themes, there was intense interest in the one where the problems in industrial cooperation projects were set forth. The representatives of joint enterprises established in America by various foreign trade enterprises reported on promising market possibilities, among others Medimpex North America on the marketing of pharmaceuticals, Hungarotex USA on the textile and ready wear market, and Medicor USA on medical equipment.

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BOGNAR REFLECTS ON WORLDWIDE ECONOMIC DEVELOPMENT PROBLEMS

Budapest KOZGAZDASAGI SZEMLE in Hungarian No 11, Nov 80 pp 1304-1309

[Article by Jozsef Bognar, director of Research Institute for World Economy: "Thoughts on the Worldwide Problems of Development"]

[Text] In the following article I would like to elaborate on a few thoughts, observations and ideas which ripened in me while I was preparing for the Szechenyi commemorative days [mid-19th century Hungarian land baron, economist, and high government official].

I.

The unavoidability of a change of eras in the world economy sank into the consciousness of people by means of the crisis phenomena of the decade of the seventies.

The word crisis is being used to mean various things, and there are those even among us who are afraid of this expression. It is also debatable whether we are speaking "only" about an economic crisis, or about something significantly more. Let me just say this much about the latter question that--in my opinion--we are clearly talking about a development crisis, which is significantly more than an economic crisis. That is, those problems which also occur in the economy and which force us to pose such questions as: What can the economy do? Did we not overextend our efforts to grow? Does economic growth have limitations? What causes these limitations? etc. are accompanied by questions such as: What can the international political system do? Can the traditional system of national security be maintained? Do the growth and application of science have limits? Indeed, even the question of historical philosophy occur: How much can man do who in terms of Darwin's paradigm has been elevated out of the animal world; how much does he differ from and to what extent is he the same as the natural environment around him; how much is he dependent upon its systems? etc. Thus from a scientific viewpoint we are facing a developmental crisis. We speak of a crisis when during the course of development (which occurred primarily as a result of our own activity) we meet such new phenomena, processes and trends, the shaping of which we either cannot influence (decrease or increase) with our present system of means, or can influence only to an insufficient extent.

Thus a new analysis of crisis is needed. During the course of this we must re-examine the following in the system of processes and phenomena which came to exist:

a) Did we correctly define the system of goals; that is, do the designated goals not exceed our present capabilities?

b) Are our means adequate? Do they cause an uncontrollable multitude of harmful side and incidental effects as they operate?

c) Are our present institutions and structures in harmony with the desired goals and with the means we are using?

Thus the goals and means as well as the structures are being questioned in connection with the crisis. Because the processes and phenomena created deviate from the goals, the means which worked before are now proving to be unsuitable to influence the processes, and the institutions have become powerless; moreover, large numbers of processes contrary to and thwarting our ideas and efforts are being generated, and many people get the feeling that the world has become "ungovernable".

The nature, depth and breadth of the crisis which has come into existence all prove that not just greater or lesser changes, adjustments and modifications are needed, but a new development model, since the present model has become conceptually obsolete, and in addition due to its ungovernability it is becoming the source of greater and greater dangers.

The developmental crisis can come to an end when we adjusted the goals, means and methods of growth to the capabilities of mankind--consistent also with his origins--to the natural environment surrounding us, and when we create such structures which advance the changed goals while preserving the various conditions of equilibrium (not nature and to the way of life).

In this sense the developmental crisis also has positive effects (even though overcoming it involves much sacrifice and effort), since it forces humanity to examine such questions and problems the insolubility or overestimation of which is one of the causes of the present tensions and difficulties.

II.

What are those components, processes and phenomena of economic and social growth which initially caused the developmental crisis?

a) The equilibrium conditions of the present economic cycle [sic] have been permanently disturbed, and there is no possibility of restoring them. That is, the present cycle is based on the assumption that on the one hand the renewable and nonrenewable natural resources are simply and cheaply available; only capital and skilled labor represent limiting factors. On the other hand, to buildup this cycle, an economic domination was needed which could create a relationship between raw material production and the processing industry to favor the latter's interests.

However, in the future a cycle will have to be structured which:

--takes into consideration the limitations of natural resources; and

--that there is no economic power which can satisfactorily structure the equilibrium, between the power and interest relationships of raw material production and the processing industry as they were in the past, since the national economies which have the raw materials are interested in high raw material prices.

Sale and transport of raw materials in their natural forms have also become problems in the era when fuel prices are also rising with increasing vigor.

The main question of new structural economic cycle is: How can it be insured that even after the significance of natural resources is re-evaluated and their production becomes much more costly, that the level of employment, the standard of living, investments, and monetary purchasing power do not decline to an intolerable extent?

b) The world's political and economic geography has undergone a radical change: sharper and sharper contradictions are developing in population densities, in the relationships between population and resources, in the population growth trends between the developed and developing countries, and between the masses of people and their economic, scientific and information disseminating capacities.

c) The world's international political structure has also undergone a change; it is now divided into 180 nation states and national economies. Concurrently, a military technology has been developed which is capable of destroying not only the entire human race but also the conditions which sustain life. Under these circumstances a vigorous arms race has developed, and this leads to increasing militarization of economic life and relationships. I am referring not only to the yearly \$500 billion spent directly on armaments, but also to the fact that oil, technology, phosphate, etc. are beginning to be used as weapons. Some countries openly use their economic ties as political weapons (for example, declare embargoes on the import of certain goods), which necessarily leads to the breakdown of international economic ties.

When the international political and security ties are so full of animosity, and when the economic ties are being used as weapons, then trade cannot be conducted even on the basis of mutual advantages, since the relationships of mutual dependence on each other, fending off any threatening dangers, or resolving new problems would presume cooperative relationships.

d) The scientific-technological revolution has represented one of the driving forces behind past growth. Within the framework of this, all those inventions were practically applied which promised economic profit.

However, in the future a significant part of the scientific results will become contradictory, because their application may involve various negative factors which could be a heavy burden on society, or which could endanger the environment. On the other hand, the application of some scientific results may have effects of dangerously upsetting the equilibrium in the present global and national structures. Thus the application of scientific results must be subjected to stronger social and international controls.

e) With the way the [world's] population is expected to increase, the more and more oppressive concern of the world's food supply represents an extremely serious danger, but one which in part remains outside the framework of the world market system.

f) The world [economic] growth has become extremely sensitive. In the past, certain questions and tensions could be resolved within more rigid and restructured frameworks (in terms of time, space and their consequences). However, under the present circumstances when the economic, political, scientific-cultural, and international (security) crises strengthen the effects of each other, it can be predicted only on the basis of careful experimentation which measures will have what "danger of explosion."

III.

The developmental crisis, and the world of the phenomena and interrelationships triggering it, appear confused and difficult to understand in the old system of ideology and structures. However, what is involved here is obviously not that chaos have developed which "can no longer be understood by the sober mind," but rather that the changes in the phenomena, interrelationships and processes demand that the structures, mechanisms and the ways of thinking (also) be changed, and rejuvenated.

It is obvious that in a number of respects the new phenomena and needs have become contrary to the old theses and to the traditional methods of economic thinking. The essence is not that the old theses lose their validity, but rather that the old situations, interests and circumstances have changed. The character of most of the economic theses is not like the law of gravity, because due to their character and system of interrelationships they are valid for specific situations and circumstances (but without us stating so, or without defining the validity circumstances of the theses).

In the balance of this article I will speak briefly about the problems which to me appear important during the course of rejuvenating the economic ways of thinking.

1. The first problem is "construction" of a new type of economic development within the activity system of the national economies and world economic relationships.

We are talking now not only about getting to know better the economy's operating system (the world of economic phenomena), but also about the fact that the circulation system—which formed the basis of distributing the activities and the incomes (profits)—, built on cheap energy and raw materials, and favoring the processors, must be replaced by a new system which will take into consideration natural resources limitations (that is, it will start out with high prices for raw materials and energy), and which will distribute the economic activity on a new basis among the national economies and enterprises. Can this alternative type of economic circulation be constructed in such a way that employment, the standard of living, and monetary purchasing power remain within bearable limits, that a relative equilibrium be created, that the international economic links grow in a cooperative spirit within the system of mutual interdependencies, and that it be possible to decrease the severe dangers which threaten humanity?

The construction of such a development type must be placed on the agenda at all costs because with our present system of means we are at best able to influence the "spontaneous" development of these processes in the "closed national economies." However, the era of closed national economies has expired.

Further, an answer must be given for the problem of whether the goals have to be drastically "reduced" in the new type of development, or—after an adequate period of transition—can the dynamic growth (naturally under the new conditions) of the economy and society be made a goal again?

2. The "economics of natural resources" must be worked out. Until now the science of economics—apart from a few notable exceptions—has "sublet" this problem to the geologists, mining engineers and agricultural experts. In the situation which has developed (evaluating the limits of the resources) it is not enough to study what economic results can be achieved from the resources (including the agricultural soil) with how much equipment (material).

We must examine the substitution possibilities between renewable and nonrenewable energy sources, how to insure their renewability (replenishment), the effects of their production methods and processes on the way the reserves will develop (remaining reserves), the practical allocation of primary processing (considering the large fuel consumption of transport), the utilization of wastes, efficient structure of the processing industry's technology with raw materials, development of a system of interdependence based on new foundations between the raw material producers and the processing industry (the coordination of interests, identification and implementation of the cooperative opportunities, the interest relationships between national economies which have and the ones which do not have raw materials, the huge set of problems of producing raw materials from the ocean, etc). In the questions mentioned there is a need for systems which take into consideration the interests of the national economies as well as those of the world economy, since the national economies operate within the frameworks of sovereign nationalist states. but we have only one Earth, and humanity; a general interests (in this sense we can speak about world economic interests) must also be considered.

3. The rejuvenated economic science must be more multidisciplinary in character, since the phenomena of society and the world surrounding us have become so interdependent that isolated approaches to them no longer make it possible to understand the movements of the phenomena with respect to each other and influenced by each other.

The individual and society perform very many kinds of activities. These activities as well as the individual motivations and institutional systems directing them, simultaneously support and cross each other. The contradictions--the ultimate source of which is in the individual--cannot be eliminated. In such a complex and sensitive society as the one in which we live today, the various (economic, political, military, cultural, ideological) types of activities strongly influence each other, but in the present social directing and governmental methods this is hardly ever taken into consideration.

The individual activities in themselves involve risks or in comparison to the others. However, the present concept and measurement of risks cover only one's own discipline and do not take into consideration those risk factors which as a result of a decision made will appear also in the system of conditions of the other factors. In the present interdependent, dangerous and critical era there will be an absolute need to foresee and express the socio-political, military, cultural, etc. consequences of the economic measures, and alternately the effects that the political, social, and military decisions have on the system of economic conditions. However, there are or there can be measures which politically or militarily represent a relatively small risk but strongly deteriorate the system of economic conditions which in the future may nevertheless still cause severe political or military consequences.

Therefore, there is a need to be able to compare the risk systems of the typical types of society's activities and to recognize the intereffects of the various types of risks.

The increasing number of economic resources being used for other than economic purposes place a heavy burden on the economy due mainly to the economy's militarization. In time this trend may assume such proportions that it may endanger the economic activity's own operational and condition systems.

4. Among the factors influencing economic growth, the ones related to natural conditions, populations changes, political and social changes, and education are of longer range and at the present just barely influence, or do not influence at all, the concrete economic phenomena and relationships which can also be quantitatively expressed and which concentrate on the market.

However, the individuals and institutions participating in economic activity receive their information indirectly and primarily by means of the economic categories (prices, demand, supply, profit, interest, etc). Thus their activity to a great extent "independent" of fundamental, long-range factors. The economic result is primarily the product of the world of short-range phenomena.

It is impossible to imagine continuous and planned (well thought out) responses to the long-range effects under such circumstances since it would be contrary to the requirements of present economic policy. As a result conformance to the long-range factors could only be implemented by jolts and in an elementary manner when the long-range factor in question gained strength with time and also appeared in the concrete economic categories and market conditions.

This course of events is very dangerous in an era in which

- a) the existing institutions and mechanisms basically express the interrelationships of a past era;
- b) the economy—due to its extreme sensitivity and severe equilibrium problems—can hardly endure jolts of such elemental strength as the ones which used to accompany the introduction of long-ignored long-range phenomena into the sphere economic policy (market).

Because of this there would be a need now to develop and introduce such an intermediary system which would introduce the world of long-range phenomena into the economic policy gradually, and in a "time-proportional" manner (in harmony with its increasing intensity).

5. Our system of economic means must also be re-evaluated from the viewpoint of its "explosibility". That is, in an especially sensitive, dangerous and interdependent world many methods become unusable which were practical earlier—even if they involved greater or lesser risks or crises.

6. The relationship between local economic disturbances and crises, and the operation of world economic system should be re-evaluated.

In conclusion I would like to emphasize that the science of economics must accept the challenge and must attempt to find new answers for the new phenomena—abandoning its own earlier systems of thought and action.

Rejecting the new problems—which may also take the form of declaring that the old systems of thinking and action are the only feasible ones—will sooner or later lead to severe confrontations between society, politics, the public opinion, and economists. It must also be expected that if the real solutions (developed by accepting scientific risks) are not implemented, various dangerous pseudosolutions and pseudoprograms will be born when the hundreds of millions [of people] suffering from the crises, and the disenchanted "extreme leftists" find each other. The sphere of these may extend from the Mohammedan "economic science" (developed on the basis of the Koran), to terrorism and to the destruction of the developed world's institutional system.

If science is unable to develop an economic system for humanity in this complicated situation which will be in harmony with the requirements, then later--after the attempts to solve it by relying on pseudotheories, but on real mass strength and mass efforts will have collapsed--everything will have to be begun again (under much worse circumstances), and indeed in a sensitive and dangerous world, things might even come to an far worse conclusion.

We can prevent these great dangers only by goal-conscious activity, wisdom and cooperation.

8584

CSO: 2500

ECONOMIC REGULATION CHANGES FOR 1981 VIEWED

Budapest NEPSZABADSAG in Hungarian 3 Dec 80 p 10

[Article by Dr Peter Medgyessy: "Economic Regulation in 1981"]

[Text] With the first of January we had to adjust, in respect to several points, the economic regulator instruments in harmony with the Sixth Five-Year Plan. In modifying regulators it is always very important to study thoroughly to what extent the regulator system which had already been introduced and is operating redeems the hopes that have been put into them and how it is promoting the realization of our economic policy. It was in such connections that we had to analyze also our experiences this year.

In support of our economic political goals for the new five-year economic plan starting in the future, we changed already in January 1980 the price and financial system in essential elements. We adjusted the standard for enterprise management more closely to international requirements, or are now adjusting thereto. This is expressed in the system of price formation, the operation of the price mechanism and the financial means linked thereto, in the support policy and in taxation of enterprise revenue.

The regulation in effect since 1980 reflects the main efforts of economic policy, the requirement to transform the enterprise product structure and to improve the foreign economic balance on the basis of efficiency growth. These efforts serve to support the even development of our economy, to guard the living standard results achieved thus far, and to permit us in this way to establish the basis for a later, balanced quality increase. Hence we are speaking of ambitious goals for the attainment of which we have this year taken only the first steps.

The 1980 Experiences

We still do not have a detailed evaluation and analysis of economic development in 1980, although we can already fairly well assess our results, our problems, and the first signs of changes. The basic effort of economic policy for an improvement in the foreign economic balance is being fulfilled. In 1980 our enterprises were more equal to the requirements of the international markets, their export activity became more flexible, they meet deadlines more exactly than before, and their commercial and price work has also improved more favorably.

The improvement of the external balance is largely related to a more restrained domestic demand, and it can be evaluated as the first step in a process. We still have to wait for a strengthening of competitiveness, for an essential change in an economic structure that adjusts better to demand, and for a dynamic expansion of production adjusting to the requirements of foreign trade balance.

Enterprise revenue approaches goals, despite a slower production expansion than estimated, and in fact even exceeds the goals to a small extent. The analyses that have been made thus far support the view that enterprise profits of greater size than expected are due to a number of factors. In many areas, including the light and the chemical industry, we arrive at eliminating the manufacture of products with the least favorable efficiency. There has been an improvement in the efficiency of enterprise work, and export prices are more favorable. Some improvement has also been experienced in the areas of material economy and cost management. However, in the development of additional revenues a role was also played by the fact that with the price changes some enterprises acquired profits that were not proportional with the work and were not supported by economic achievements.

In summarizing the experiences we may say that economic policy has correctly designated the main tasks, our economy is developing in the expected direction, but we still do not exploit our possibilities adequately, and in some areas progress is less than it should be. Two essential deductions can be made from this for the 1981 regulators: 1. It is not necessary essentially to change the price and financial system which supports higher requirements and was introduced in 1980. 2. We must consistently maintain in our management the line which we followed this year, and therefore we are justified in adjusting the regulation in 1981 in harmony with our earlier intentions.

The Main Direction of the Modifications

The economic environment in which our economy is developing contains constantly changing elements, and therefore the regulation must also be changed from time to time. In connection with the thorough preparation of the new enterprise five-year plans, however, we also emphasize that we will not need essentially to change in the coming 5 years the price and financial system introduced this year and which will continue to operate beginning in 1981 with minor adjustments. Economic guidance is striving to see that the necessary regulator modifications, in knowledge of the basic lines of internal and external changes, should be calculable beforehand for the enterprises, and that in this way there will be a secure basis for enterprise, risk-taking, and thinking ahead.

Following these things, let us look over the substance of the 1981 modification. (We already reviewed in the economic section of 12 and 26 November issues of our newspaper the modifications affecting agriculture and the area of wage and earning regulations, and thus we shall only refer briefly to these changes in this article.)

1. The main line of the modifications for next year are in the narrowing of various exceptions, one-time handling, and subsidies. In harmony with this we are reducing the amortization payment subsidies in coal mining, soda water and beverage production, and wholesale and store retail trade. In centralizing amortization, we will arrive in 1981 at a gradual approach to the general conditions in the lime and cement industry, meat and poultry industry, public road and taxi transportation, and the restaurant industry.

We shall also arrive at a reduction in the reimbursement of the differential producer sales tax in the light industry since the extent they have been applied thus far is not justified by calculations subsequently performed. The extent of the supports granted to agriculture and the food industry will be reduced and we have arrived at establishing the tax reimbursement in iron metallurgy and the vegetable oil industry.

In harmony with the price and cost changes, we shall moderate various supports of an agricultural type, or shape them in such a way that the farms will have a greater interest in improving achievements and in a faster conversion of investments.

Increased City and Village Development Contributions

2. The moderation of variations in the regulations will in itself not assure the maintenance of the planned limits of enterprise funds and the desired increase in state budgetary receipts. The efforts at guarding the living standard will not make it possible for the state budget to moderate the public social expenditures although there will also be occasion in general for reducing the growth rate in this area. Moreover, the increased world energy problems will also place important additional tasks on the Hungarian state budget because the development of the energy management area increases expenditures considerably.

For the above-mentioned reasons, adequate harmony does not exist between the increased tasks of the state and its share in total revenues. This justifies the modification whereby starting on 1 January 1981 the city and village development contribution will be 15 percent instead of the 10 percent which has existed thus far. This measure will contribute to a better harmony between budgetary revenues and expenditures in such a way that it will at the same time increase the revenues of the councils and their foresight, interest and responsibility in respect to the work of the managing units in their areas. In this connection it should be mentioned that like the city and village contributions the state agricultural taxes must also be paid to the councils and that 50 percent of the profit tax of the council enterprises goes to the local council organs.

In the interest of purchasing power outflow in harmony with the possibilities of the economy, the enterprise wage development realized in 1980 and the wage reserves formed this year cannot together exceed 15 percent of the 1979 wage bill. Reserves formed before 1980 and this year must be brought together, and at the most only a further 3 percent wage level increase can be granted beginning in 1981 from the wage reserves over and above the wage development that can be realized on basis of the given year's management results. A wage reserve of a greater amount than this can be used only to attain an actual wage level increase of 4 percent.

4. In the coming year we must operate consistently the new price system which was introduced this year. We must strengthen in every area of the economy the role of prices in energy and material savings. Considering the requirements for transforming the foreign economic balance and the production structure, the operating price system is well supplemented by a flexible foreign exchange rate policy. Carefully weighing the effect of the exchange rate policy on export capability and on the development of domestic prices, we must on the basis of foreign price formation count on a changing exchange rate in the future as well. It was in this sense that in October we changed the forint-transferable ruble exchange rate, and in accordance with a coordinated effort we are correcting as necessary the exchange rate of the forint as compared to convertible currencies.

Timely Orientation

We have emphasized only the most essential elements of the 1981 regulator changes. The organs of economic guidance are striving to bring the modification to the attention of the enterprises in adequate time, and thus the entire essential statutory provision was published on 30 October. It is evident therefrom that economic management wishes to travel in the future as well on the same path as this year, giving incentive to enterprises and the cooperatives to the fulfillment of the new requirements, and to greater consistency. We can hold our place in the new circumstances of the price and financial system, which reflect actual conditions, only if the gradually developing quality changes strike permanent roots in management. A good basis is given thereto by the 1980 results, and the work of various enterprises is already providing an example of the possible and necessary development.

6691

CSO: 2500

MODIFICATIONS IN WAGE SYSTEM FOR 1981 VIEWED

Budapest NEPSZABADSAG in Hungarian 26 Nov 80 p 10

[Article by Dr Gyorgy Rak, head of autonomous group at the Ministry of Labor: "Control of Wages and Earnings in 1981"]

[Text] Several elements of the wage and earnings control system affecting the personal incomes of enterprise employees have undergone substantial modification as of 1 January 1980. The aim of these modifications was to exploit the incentive potential inherent in wages to ensure that the wage and earnings control system contributes effectively to improved efficiency of enterprise operations and more efficient utilization of the workforce. The modified regulations applied stricter standards to enterprises while at the same time enabling them to become more flexible in the area of wage management.

This Year's Lessons

This year, a larger percentage of the national economy was under the wage bill control system because this type of regulation provides greater incentives for enterprises to release excess manpower. For the majority of enterprises, wage development is fully or partially dependent on the economic performance and results of the enterprise. In areas where increased employment is justified, the form of regulation in use is the average wage control system.

Relative to the level set by past regulations, the amount of performance improvement necessary for an annual 4 to 4.5 percent wage increase has been set higher. The restrictions that represented an obstacle to incentive-conscious wage management in enterprises with better performance have been removed. For example, wage levels may rise 9 percent and still be exempt from wage increment levies (compared to 6 percent in the past) provided that enterprise performance improves adequately. Wage increases not exceeding 2 percent are permitted in enterprises which do not fulfil general requirements. In the construction industry, anticipatory wage development was permitted in 1980 to be covered by expected wage increases allowed for next year.

1980 may be considered a year of transition from the standpoint of evaluating the modified wage regulations. Enterprises need more time to adjust their operations to changing requirements. The emergence of sensible enterprise policies was af-

affected by the fact that the price and income regulation system has been altered at the same time as the wage control system, leading to the reshaping of the profit structure of enterprises and forcing enterprises to reduce uneconomic production, modernize their product structure, increase the proportion of products that can be exported economically, engage in active marketing policies and reduce costs. These changes have increased profit incentives and demanded greater efforts from enterprises toward improved efficiency. Improved results, combined with wage development arising from manpower savings, have allowed for more differentiated wage increases, varying among enterprises.

Careful Wage Management

Wage management in 1980 was affected by transitional uncertainty arising from a requirement to recalculate the so-called base indicator of wage development (used to measure enterprise performance) in terms of new regulations and new producer prices in order to achieve comparability with last year's data. As a result, the majority of enterprises were conservative in their wage policies and deferred most wage increases until the second half of the year. The enterprises which gave wage increases during the first half of the year were mainly those that were in a position to plan their operational results with great certainty or were able to increase wages as a result of manpower reductions. Employment declined in industry and construction at a faster rate than planned and also faster than in preceding years. (This was due in part to incentives provided by wage regulations and in part to declining output.)

Because of the problems mentioned, the conservative wage policies of enterprises may be considered reasonable. In this connection, the fact that a number of enterprises modernized their internal system of incentives and strengthened the correlation between individual performance and wages can be considered a positive development. Real wage development this year will be smaller than it could have been in a number of enterprises, due to transitional uncertainties. Wage controls permit a carryover to 1981 of wage development opportunities left unused this year. (This is more sensible than paying them out at the end of the year without regard to performance. The reason is that wage development kept in reserve may provide more favorable material conditions for incentives next year.)

No Substantial Modifications

Wage regulations will not be modified in a substantial sense during 1981 because this year's experience does not indicate a need to do so. The fundamental economic policy goal of 1981 will continue to be improved efficiency, and reduction of manpower within enterprises, resulting from product structure transformation or other reasons. To encourage this, the wage bill control system correlated with performance levels will apply to the majority of enterprises in 1981. In areas where profit incentives do not apply for one reason or another, or where it is necessary to increase employment, the type of wage regulation to be used in 1981 will be the one appropriate to the situation. The form of wage regulations applicable to specific industries will, in general, remain unchanged; in some areas, however (especially in the food industry) wage regulations more suited to the specific character of operations will come into effect.

The general parameters of the wage and earnings control system (wage multiplier, the size of centrally approved wage bill or wage level increases, etc.) will remain unchanged, since the 1981 target for average nominal wage increases is the same as in 1980. Wage savings arising from manpower reductions may be used by enterprises for average wage increases limited by a ceiling of 3 percent.

The following rule is not new but will be applied across the board for the first time in 1981: the maximum average wage increase to be awarded in 1981 as an advance to be deducted from next year's (1982) wage increase allowance is limited to 2 percent. This may be paid in advance when justified by economic conditions, provided that the enterprise is able to fulfil the prerequisites for utilizing wage advances by fulfilling a moderate payment obligation.

In case of declining enterprise performance, i.e., a reduction in the wage development index during 1981, it will be necessary to reduce the total wage bill available to be paid out. The reduction may not exceed 3 percent of the wage bill. This rule provides an additional incentive to reduce the workforce at the enterprises in question. With more efficient operation, the deterioration of the wage development index may be avoided, together with the resulting obligation to reduce wage bills and employment levels.

On the Utilization of Wage Reserves

The 1981 modification of the wage and earnings control system is aimed at better internal consistency of economic regulation while keeping wages within planned limits. Basic principles will, however, remain unchanged. The modifications mainly concern those enterprises that put some part of their wage development allowance for 1980 or preceding years in reserve. It is important to recognize that the limitations set by regulations adopted in previous years did not encourage enterprises to keep wages in reserve when doing so would have been sensible. For this reason, many enterprises gave wage increases at the end of the year even in cases when the wages paid out would have been needed even more for wage development next year.

The regulations applying to utilization of wage reserves accumulated prior to 1979 are not the same as those applying to wage reserves created in 1980. This made it necessary to arrive at uniform regulations for wage reserves and to simplify legal provisions. Wage reserves created prior to 1979 must be recalculated according to previous regulations governing their use. (In practice, this means that about one third of these reserves may be used in 1981.)

To avoid unjustified wage payments at the end of the year, the modified regulations set both the size of wage reserves carried forward from 1980 and the size of wage development for the current year. This level is relatively high: for the great majority of enterprises, it represents no real limitations. For example, an enterprise had the opportunity, on the basis of improved efficiency, i.e., the wage development index, to raise wages by 10 percent but raised them by only 5 percent, then the unused 5 percent wage development allowance may be carried forward for future years. If, on the other hand, they had the opportunity to raise wages by 15 percent but raised them by only 5 percent, then they can put 10 percent of wages in reserve for 1981 or later.

In general, at most 1 percent of wage reserves could be used in 1980. Starting from 1981, 3 percent wage increases may be given out of wage reserves above and beyond the wage development allowance for the current year. (If the wage development allowance of the enterprise is less than 4 percent, they can still give 4 percent wage increases out of wage reserves.) This modification significantly increases the ability of enterprises to carry out wage policies over a number of years, since existing wage reserves may be used in 1981 or in subsequent years. It provides an opportunity to cover transitional wage requirements arising from various programs within enterprises (e.g., plant or work reorganization, manpower regrouping, quality transfers, etc.) which were not possible in the past.

Employees Working at Home and Services

Employment of people working at home has become more advantageous in line with employment policy goals, since only 50 percent of the wages paid to them comes under the regulation or, when appropriate, wage development levy obligation. Centrally supported wage development of consumer service enterprises is aimed at encouraging the development of service activities, as is the increase from 3 to 4 percent of the wage preference given to enterprises engaged in consumer service activities. For similar reasons, the wage multiplier related to growth of sales receipts in the food trade was increased from 0.15 to 0.2.

On the basis of the foregoing one must hope that the 1981 modifications to wage regulations will lead to the desired effects by contributing to the stabilization of the economic situation and the preservation of existing real wage levels and living standards. On the other hand, this also requires that enterprises utilize their wage development potential in a careful and thoughtful manner, in line with improved efficiency,

9164

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DECENTRALIZATION, EFFECTIVE MANAGEMENT DISCUSSED

Warsaw POLITYKA in Polish No 42, 18 Oct 80 p 4

[Article by Tadeusz Sawczuk]

[Text] An article by Cezary Jozefiak (POLITYKA No 37) caused me to reflect upon the possibilities of constructing a system of economic management that would be effective in our current situation. Among professionals, the prevailing view is that there is no ideal system. Among other things and for this reason, they have relied in recent years upon the search for a standard (or set of standards) and the funds for material incentives connected with it, which contains the fewest elements which can be converted into counter-stimuli for increasing the operational efficiency of our economic organizations. Concluding that heretofore we have had economic systems without economy, let us now try to have economy without an economic system.

Let us entertain a proposal for abolishing all standards, directives, limits and rules, as well as any sort of indices and parameters which have up until now been directed at the enterprises. Let us consider how in such a situation the probability would increase that disproportion and disequilibrium would be intensified, or simply that economic chaos would ensue, and to what degree this would make possible the rapid utilization of undeniably existing economic reserves.

Despite a rather rich literature, we cannot find in our reading what the concrete meaning is, on an economic basis, of a developed socialist society. Intuition causes us to suspect, however, and practice (especially in recent months) strikingly confirms that, among other things, it is a society which does not tolerate a lack of responsibility or the lack of a guarantee that responsibilities will be met.

The developed socialist society is that society which does not need to be told centrally (or even individually) what its interest is and how this interest is to be realized. The economic center cannot--because it is technically impossible--be responsible for partial market equilibrium. Nor can the management cadre of economic organizations which has been deprived of authorization and competence be responsible for it. As a result, we have the following situation: a lack of equilibrium and no one responsible for the permanent disequilibrium.

The Sphere of Competence

Against a background of the above remarks, we publish several words in a polemical vein from the views of G. Jozefiak, since there is managerial agreement on the proposed solutions even though these differ from one another in tempo and in the extent to which they are put into practice.

Agreeing with the assertion that "somehow in the perspective of several years, restraint of the managerial cadre of our enterprises will be forced by the economic situation," one must nevertheless point out that restraint imposed by the economic situation is one thing and restraint by order, prohibitions, limits and even parameters from above is another. For this reason one cannot completely share the view that "leaving to the enterprises the concern of how to cope with the supply of these production factors, whose lack is due to shortcomings in the inter-branch allocation of investments, would be the decentralization of irresponsibility," nor agree with the statement that "so long as the economic policy of the government does not remove the main disproportions, then a substantial range of rules and regulations is inevitable" and so these statements evoke a certain doubt.

First, it is not possible to relieve the managerial cadre of supply worries. What is more, one is not free to create the conditions in accordance with which the managerial cadre would feel itself freed of concerns connected with effective supply. Moreover, there will not be a disclosure that the managerial cadre of a particular economic organization is more discriminating than the economic center. For in many instances the economic center has false information wholly fabricated by the producers of deficit production factors, which are lowered or raised and rarely reliable regarding the production capacities of the enterprises which are creating the deficit products, and where, when and for how much it can and should buy the kinds of material factors of production that it needs. At this point one needs to emphasize strongly the necessity to restore the proper dignity to commercial contracts between the supplier and the customer. The horizontal links among economic organizations should act as the basis for the building of production plans, and not the vertically (from top to bottom) transmitted economic and financial indices which are but a simulacrum of the assumptions of the National Socio-economic Plan (NSEP).

Second, the priorities supplied, as practice shows, have a tendency to be inflationary and to artificially increase the shortages even of such meager stocks of regulated products, and, in practice, the priorities (both in supply and demand) are not complied with.

Third, in the majority of basic economic organizations, the supply services (due to real and artificially caused difficulties) are several times greater in number than market services, which, on one hand, confirms the low efficiency of central distribution of deficit raw materials. On the other hand, the potential for human ingenuity is capable somehow of "digging out from beneath the ground" the materials needed for production--if only centrally developed and transmitted supply indices and limits would not prevent it.

The Race Forward

Giving full freedom to the management cadre of our essential economic organizations would obviously be "decentralization of irresponsibility" of a certain kind, but there is simply no other way out of this "strangled" economic and social situation.

J Mujsel has good reason to write (*Zycie gospodarcze* No 19/80) that: "The point is that we must identify all reserves and place them in motion as quickly as possible, transforming the linkage between equilibrium and system from the negative to the positive." The author writes further: "... that waiting to modernize the system until the time that equilibrium will have been established everywhere would be to put the matter off ad calendas graecas."

The conversion of the linkage between equilibrium and system from negative to positive requires a suitable period of time during which no system of administrative features would function which would determine the economic and social processes in our essential economic organizations. To move from reverse into forward requires at least a second's stop, otherwise one can destroy the entire drive mechanism. In an economic and political mechanism, that period of time which permits one to pass from negative linkage into positive is precisely the time when the economy of the essential economic organizations functions without the restrictions that characterize every system of central management, irrespective of whether it has a preponderance of directive elements or parametrical elements.

The economic organism itself regenerates minor illnesses which arise as a result of a lack of operational interference by the center in the running of essential economic organizations, while simultaneously developing those which will demand surgical procedures carried out by the economic center. The practices for treating the symptoms of economic illness which have been used up until now are replaced by prophylactic measures. Permitting oneself a not too delicate but graphic comparison, one can say that in many instances heretofore, the Planning Commission of the Council of Ministers (and other central economic agencies) has been the office of a great national warehouse, registering receipts and expenditures without calculating the wastage that arises for various reasons, wastage which we have covered up and must continue to pay for as a society. Thus, treating the symptoms not only did not destroy the diseases, but intensified them.

Alleviating the central economic agencies from current interference in the operation of our essential economic organizations will enable these agencies to better observe economy-wide phenomena (to diagnose them more fully) and to work up programs for the correct development of the social and economic organism. Moreover--and this is equally essential--abolishing the direct "accounting" of economic organizations will reveal quite strikingly the uselessness of many intermediate levels of production management. Hundreds or even thousands of "mailmen" who never move from their places (most often very highly educated), who deliver indices and data up, down and to the side (not infrequently useless or false), would either begin to work as real mailmen (and there is a shortage of deliverymen) or perform work that restores the dignity and importance of the profession of economist.

The proposal to abolish entirely the "institution" (which long ago began to live by its own laws) of directive-limit-index management and accounting of the essential economic organizations is in no way a proposal to leave them to themselves, for they operate in a socialist economic system together with its historical and social conditioning.

Contracts, Not Indices

We have a social contract, we have expressly recorded tasks that we must carry out in a shorter or longer period of time. On the other hand, as a matter of fact, we do not yet know how to fulfill these obligations within the stipulated terms. Appeals to do good work and to increase efficiency in management have a chance of being transformed into action after abolition of the institution spoken of above. I see this opportunity in the concretization of the social contract in the form of agreements with the administration (professional and social) of the essential economic organizations. Such contracts would replace the existing practice of concluding agreements on the work of the members of the directorship by appointment or confirmation by a higher unit. The proposal to conclude long-term contracts with the directorships of the essential economic organizations is not new and was already the subject of study as a particular form of management by objectives (the determination of goals).

In such a contract, the management would be bound to a reasonable administration of the production potential allotted from the national wealth, guided by the economic calculation of social needs formulated in commercial contracts and with trade unions which would guarantee a fair level of remuneration for the labor force. This activates the principle that states that the type of work determines the type of pay and contributes to the creation of an authentic feeling that each person in the work force is not only a co-owner of the means of production, but is first and foremost their co-manager. For the abolition of directives creates a situation in which there are no opportunities to explain to the labor force the superiority of carrying out quarterly, monthly, or even decade-long indices. There will be no need for assault-like efforts to complete production at the end of the quarter--instead there will be a need to finish production, e.g., on the 2nd of July at 1732 hours, for this is what results from commitments or conditions.

Assuming the overall operations of economic organizations by contract and not calculating them from several hundred indices and limits will end, among other things, the practice of falsifying reports. The economic organizations will begin to analyze the economic and financial situation for their own purposes. The records and analyses will be shifted to the "internal sphere" of these economic organizations and not to the external sphere as the basis of their evaluation by higher organizations.

The degree to which the tasks negotiated with the managerial cadre are to be realized must be evaluated upon completely different grounds than has been done heretofore. "In efficiency stimulation, initiating a consistent system of evaluating the managerial cadre is essential. This is an irreplaceable store of stimulation. It is proposed that this evaluation be based upon three criteria: the discipline of the plan, current performance, and developmental dynamism," wrote Professor Mijzel in the article cited. I subscribe to this proposal. At the same time, I understand the discipline for fulfilling planning assignments to be the degree of execution of the plan erected upon a basis of contracts and horizontal linkages, and not upon a basis of directives from on high.

The present system of evaluating and encouraging the managerial cadre of economic organizations is based upon the conferral of bonuses tied to the amount of profit gained, as my studies at the Institute of Finance show, and does not result in an

increase in efficiency; and in many instances it was outdone by other systems of evaluations. Profit as a measure proved inadequate. Hence there began a reactivation of other measures (an increase in export production, discipline in payments from the discretionary pay funds, a reduction in the level of costs, a reduction of individual costs, etc.), which did not bring about the expected results and contributed instead to the disintegration of the motivational system of the managerial cadre.

The evaluation of the work of a managerial cadre by higher units cannot be objective from several points of view. Therefore the postulate of J Majzel contained in the article cited is pertinent here: it states that the evaluation is to be carried out by a panel of experts. Such an evaluation based on criteria provided above would ascertain to what degree the managerial cadre meets the needs of the customer and whether it has utilized the possibilities for correcting operational efficiency created by changing economic realities, and not the degree to which it has fulfilled its planning tasks.

3190

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ZAGREB JOURNALIST CRITIQUES ECONOMIC DECISION-MAKING

Effects of Devaluation Diluted

Zagreb START in Serbo-Croatian No 306, 15 Oct 80 pp 34-36

[Article by Milan Gavrovic]

[Text] The economic difficulties that face Yugoslavia can only partially be explained by objective circumstances, such as the energy crisis and growing inflation throughout the world. Many problems are the results of erroneous economic and political decision-making, lack of consistency and mistakes in developmental plans, and insufficient responsibility on the part of the creators of economic policy. The positive effects of devaluation are already seriously threatened, among other things by the failure to rein in investments and by the rapid increase of prices. These assertions were confirmed in the discussions at the recent plenum of the Central Committee of the League of Communists of Yugoslavia, where the causes of the present situation were indicated. START's permanent correspondent, Milan Gavrovic, writes about the actual causes of the economic difficulties in Yugoslavia.

What has devaluation brought?

It has brought the disillusionment of all those who naively believed that by some decisive, radical measure (and bang, here it is—devaluation), everything would change fundamentally, so that in the future only the good fairies of productivity would flit around us, while the sorcerers would create great and small consumer visions.

Human memory, truly, is not engraved on solid granite tablets, and so in only 7 or 8 years we have forgotten many lessons learned at the beginning of this (soon we will say the past) decade. That was a period in which we recorded two devaluations in a single year. And so there will be no alarm, that was a wise action.

In the same way, it was wise to devalue the dinar in the middle of this year, and it would have been even smarter to have done that a year or two ago. Thanks to that, the actions for increasing exports and reducing imports were possible, and in the past months these actions have given unquestionably favorable results.

The authors of devaluation--and let us so name them--did not, however, have unrealistic illusions. This was a mathematical, and not a romantic undertaking. Here is a sentence about that from the authorized stenographic record of the presentation of Veselin Duranovic at a recent session of the LCY Central Committee: "The change in the exchange rate of the dinar was calculated so that a level of inflation by year's end of 30 percent would not seriously threaten the effects of the change in the exchange rate, but every percentage point above that level would progressively devalue those effects."

Incidentally, retail prices (according to which inflation rates are measured) were 28.3 percent higher in August of this year than at the same time the preceding year. The wave of autumn price increases had not yet effected that calculation, but it will obviously add dangerous points of inflation that will diminish the results of the devaluation of the dinar.

A free interpretation of the sentence cited above might lead to the following conclusion: The positive effects of devaluation were calculated to year's end, their dilution was expected and there was no notion of living in the false hope that the unfavorable trends in the economy could be halted quickly, let alone that their deeper social causes could be overcome. A tendency to poetry (and we know that Duranovic has written poems) obviously need not harm political realism.

What kind of equations did the devaluation mathematics contain? In essence only one, a comparison of the rate of price increases in Yugoslavia and in the countries with which most Yugoslav trade is conducted. This entire little planet is caught up in inflation, which is still another sign of deep social contradictions. For the moment, the wealthy countries are getting along better in this situation, and the entire world economy follows their example.

THE ECONOMIST of London presents the following data on the growth in consumer prices: In Italy the rate is 22 percent, in Britain 17, in France 13.5, in the United States and Sweden 13, in Canada 10, and in Japan 7.7 percent. All of these figures are for the first 7 months of the year; more recent data, for 8 months, show 7 percent inflation in the Netherlands and 5.5 percent in the FRG.

It is very easy to perceive the connection between inflation and social stability or instability in individual countries. That factor also becomes increasingly apparent in the centrally directed economies, although a somewhat different picture dominates there: There are no rising prices, but neither are there any goods to buy. (That is, other than in the newspaper reports about shock-worker over-fulfillment of the plans.)

In the industrially developed countries with market economies, in the first 7 months of this year, the OECD countries had an average inflation rate of 12.4 percent. While the EEC countries of Europe (the so-called Common Market) had an increase of 12 percent. These are the statistics with which we should compare Yugoslav inflation of 28 percent, in order to see the tempo at which the effects of devaluation are being eroded.

Devaluation is not a Policy

From this it should not be concluded that devaluation was senseless because the old situation was soon restored. Devaluation by itself is not a policy. A policy would be the determination to accept the true convertible currency value of the dinar. That is a component part of the decision to restore self-management relationships. Without objective market criteria, and a true exchange rate is one of them, wise decisions cannot be made of either a management or self-management nature. "One alternative to the market economic system is the strengthening of bureaucratic, technocratic centralism, regardless of the type and level." This well-known fact was repeated by numerous speakers at the recent LCY Central Committee plenum. (The above formulation is a direct quote from Stefan Korosec.)

Thus the crucial question is why inflation is more rapid in Yugoslavia than in other European countries. Four years ago, during 1976, prices in Yugoslavia grew at a rate of 9.1 percent, while in the OECD lands the rate was 8.5 percent. That was essentially an insignificant difference. Since then, Yugoslav inflation has tripled, while in the OECD countries it has increased only 50 percent to 12.4 percent.

A part of the cause has an objective nature. The richer countries were easily able to pay for the energy crisis and succeeded in correlating energy costs to the increases for industrial machinery that they were selling. Wisdom, however, is more expensive than oil. Both the price increases hit us in Yugoslavia.

All of these objective circumstances existed already 4 years ago (the energy crisis began in 1973). Therefore, something happened in Yugoslavia that crucially diminished our ability to maneuver in dangerous waters that are full of underwater reefs, in which waters the world economy was sailing.

In writing about Yugoslavia, some foreign newspapers use the old cliché; they fill in the same forms every time, as reporters would put it. According to them, this is evidence that the system does not function as it should, that in practice self-management is not being confirmed as an effective mechanism for decision-making. It is an old folk saying, brought into modern psychology, that everyone who talks about someone else is in fact talking about himself. In the crisis of democracy that it is facing, the modern world takes an ambiguous stand regarding Yugoslav self-management: it observes what is taking place with interest and sympathy, probably seeking answers to many of its own dilemmas; or else it rejects the overall Yugoslav development, thereby showing its fear that adoption of the Yugoslav experience might lead to an erosion of the prevailing social relationships in their countries.

The State of the Spirit

Lack of faith in self-management is also manifested at times in our own debates. For example, one again hears that labor collectives should be required to accumulate at least some minimum of capital. Translated into ordinary language, that means that society (and who comprises society?) must protect itself from workers who take too much personal income, and leave too little money for development. Obviously, such a thesis speaks more of a certain mentality than about an actual state of affairs. Specifically, it is well known that for years, personal income

has been running a race with increasing prices, that this year there was about a 10 percent surplus, and that at just that moment the labor collectives by an autonomous decision increased their capital significantly (by more than half), while in many cases the possibilities that existed for increasing personal income were not utilized. The state of the spirit need not always unavoidably be connected to events that take place in life.

Neither self-management nor disturbances in the world economy can be blamed for the present economic difficulties in Yugoslavia. The true causes must be sought elsewhere. Two thoughts expressed by Dr Vladimir Bakaric on this topic can be good guidelines:

First, rapid development, rapid progress out of backwardness, has not been accomplished by any country without serious disturbances, usually accompanied by high inflation. The relation of that statement to Yugoslavia can be concluded from the fact that in 1969 we had a per capita national income of about 550 dollars, while in 1979 it was about 2300 dollars. Even though the dollar has lost value in the interim, that speaks of rapid development. Next, in the same period of time the number of employed workers rose by 2 million people, while the living standard increased by an average of about 6 percent per year. Some other results cannot be expressed in numbers, such as the strengthening of the foundations of a new political and economic system (with the approval of the Constitution and the Law on Associated Labor), the establishment of the system of general popular defense and social self-protection, etc. Obviously, the difficulties with which we are now grappling are quite a relative notion.

The other current idea expressed by Dr Bakaric is that every snag in the development of self-management always provokes economic disturbances: "It has been shown that the strongest social sources of economic instability are precisely in those areas where self-management relationships are the least developed and the least manifested," as stated in the introductory remarks at the recent plenum by Stevan Doronjski, president of the Presidium of the Central Committee of the League of Communists of Yugoslavia.

Every economy instability has social roots. Simplified, this means that difficulties arise because the economic laws are not respected. It is an easy step to the question as to why these laws are not respected. The fate of the reforms of 1965 show that a solution to the crucial question of world socialism, as to how the shift to intensive highly effective production is to be made, cannot be found simply in the domain of so-called pure economics.

In the still insufficiently analyzed reform of 1965, (although such an analysis would be particularly valuable just now, it seems there is not enough temporal distance, that the wounds still hurt), we swore that we would use all the laws of rational economics. Unfortunately, there was not enough realization that an economic reform also requires a social reform. That process was initiated only several years later, with the constitutional amendments (especially the so-called workers amendments). In the meantime, despite the economic reform, which had the basic intention of intensifying production, the standstill in the development of self-management led to serious disturbances in economic life, with all the difficult social consequences that came with them. In the first years of the reform, instead of inflation we had declining production, a slowing of development, falling numbers of employed accompanied by departures for employment abroad and the strengthening of various, predominantly financial monopolies.

At this point it would be worthwhile to cite the following text: "The current relationships in the circulation of the resources of social reproduction can be characterized by the fact that after 1965, when the monopolistic competency of the state apparatus in that area was vacated, these functions were not taken over completely by self-management labor organizations, but rather in large part they were concentrated in banks and similar organizations in the financial and commercial sphere.

Since economic relationships in social reproduction were not formed at a suitable rate, along with appropriate self-management rights and obligations of the working people toward various forms of resources for that reproduction, it unavoidably came to new forms of estrangement of labor surpluses from the working people and their self-management labor organizations, through newly independent banks, insurance institutions, foreign trade and domestic trade organizations, and the like.

These relationships were reflected in unfavorable material trends as well." (From the report of Edvard Kardelj at the Second Congress of Self-Management Officials of Yugoslavia, held in Sarajevo from 5 to 8 May, 1971.)

Rises and Falls

One of the absurdities, or near absurdities, in the Yugoslav economy, of which some economists caution, is that its rises and falls often have no clear connection with the so-called cycles in capitalist, developed countries. We have had high rates of growth when the rest of the world was experiencing recession, and the opposite. Our recession of 1967, for example, occurred when western economies were experiencing prosperity, warn the economists.

True, but why? What affects our economy, in a much greater way than all the energy crises and much deeper crises of the old relationships in the world? Just a quick look at the development in the course of the last 15-odd years gives a clear answer. The recession of 1967 is in a direct relationship with the text cited from Kardelj. The years of stability (naturally, only relative stability, for in this turbulent world absolute stability is only achieved by rose growers in baroque parks), thus the years of relative stability during the last decade have coincided with periods in which more rapid development of self-management was taking place. The positive balance in foreign trade at the beginning of the 1970s was a direct result of the strengthening of self-management rights after the suppression of nationalism and liberalism in political life. The devaluation of the dinar in that period, mentioned at the start of this article, meant a strengthening of market criteria in economic operations. The positive trade balance and slowing of inflation in 1976 coincided with the new constitution and the action for approving and implementing the Law on Associated Labor.

Now, however, it is the end of 1980, and only one question is important: How do we go on? In his report at the recent CC LCY plenum (which some have called a "mini-congress"), Stevan Doronjski said: "Today the position of the working class in the management of income is the most important question of our future socio-economic development, as well as a political question of the first order. The continuation of the existing status spawns dissatisfaction of the working people in associated labor and a critical attitude toward the functioning of the organizations and leadership of the League of Communists, and toward the measures and

activities of agencies of sociopolitical and other communities. In some places, doubts have emerged as to whether the self-management system can effectively resolve major problems and contradictions in socioeconomic development. In this it is forgotten that such attitudes are not products of the system but rather, they represent behavior that threatens and derogates the self-management system, and that reproduces relationships that are foreign to socialist self-management."

A Question of Responsibility

The special value of the debate at the plenum was a posing the question of responsibility, not only the responsibility for work and failure to work at all jobs in the society, but the special responsibility of communists to realize their revolutionary role, in the struggle against bureaucracy for the development of self-management. It is a basic premise that bureaucracy is a relationship between people, not actual people themselves. Bureaucratic circumstances lead to bureaucratic behavior. Naturally, that is no justification for bureaucratic behavior. "Today I would define freedom as follows, if we may be permitted to cite Sartre from memory, as "that little shift that makes it possible for man not to be a completely socially conditioned being. My friend Jean Genet was conditioned by society to be a thief, but he became a poet." The reduction of the problem to behavior alone, instead of referring to the relationships that make possible power over people and the results of their labor, is by definition bureaucratic logic. One speaker at the plenum put it this way: "Bureaucracy is always ready to change the deck of cards, but not the rules of the game."

But now it is a matter of changing the rules of the game, not of thinking up something new. The self-management economic system has basically been accepted, but rather it is a matter of creating conditions that will let the system step off the paper into life. That is the only way of stabilization before us, and it involves 2 essential changes.

The first is a return to the market, which began with the devaluation of the dinar, perceived as a stand for the policy of the true exchange rate, in which it will have the permanent role of an objective economic criterion. Without the market there can be no economic independence, nor the possibility that workers in basic organizations of associated labor can realize their rights and obligations. The current flight from the market is a result of experience from the time after the 1965 reform, when various teams of the political bureaucracy and leading economic groups carried on a ruthless market game without any of the anti-monopoly barriers known by even the least serious of capitalist economies. The impoverishment of the economy became of high investments in the last decade (investments decided upon chiefly under the influence of factors dictated by territorial political communities), made it impossible for the economy to withstand sharp market winds without catching pneumonia.

Therefore, nothing remained for it but to accept the life of a sick man with an IV tube, through which flows a mixture of administratively determined prices, exchange rate quotations and import rights, unrealistic exchange rates for the dinar, protection from any form of competition both abroad and at home, funds to cover losses, etc.

The constant efforts in such conditions, by some miraculous measures of economic policy, to correct the state of the economy and achieve the desired degree of stability, without touching the investments and all the rights that have been obtained, reminds one of the child's riddle about how one can transport a wolf and a sheep and a head of cabbage from one shore to the other in a boat with all arriving whole and healthy. Unfortunately, there is no solution for such a riddle for grownups.

The other essential change is the energetic reduction of investments, in the face of the "technocratic and bureaucratic hard heads who always have grandiose projects before their eyes" (as Doronjski said). In Yugoslavia, balance of payments difficulties because of the growing price of oil are often discussed. Besides oil, however, there are also constant additional expenditures for imported equipment. For example, this year 1.95 billion dollars were designated for that purpose, while it has been asserted that 3 billion have already been spent. A situation in which the share of investments in total social product is 40 percent would be enough to destabilize any economy. That figure, banalized by frequent use, we have repeated only to get to the question as to what mechanism of decision-making made possible such a redistribution of the social product: what power relationships in society led to the present economic instability?

The data presented by Duranovic show us the delusion, an otherwise rather widespread assurance, that everything has been planned well, but difficulties arise because the plans are not followed and are not fulfilled. Quite the opposite is true, for the planned values must necessarily provoke the current disturbances. By plan, and not by elemental force, we have reached the point where investments eat up 40 percent of the value of the social product, or the value of all the goods and services produced in the country. In the last two plan periods, the following portion of the social product was earmarked for investments: in the intermediate plan for 1971-1975, 39.3 percent, and from 1976 to 1980, 38.9 percent. As Duranovic stated, "That means that we consciously chose that magnitude of investment expansion and that it was built into the Social Plan, and incidentally, confirmed by all determinations in that plan, including all the some 14 agreements on priority activities in our country."

Plan Delusions

Thus it can be concluded that planning such as we had would have destabilized any economy in the world.

Aleksandar Grlickov, in showing that reducing investment is not necessary alone in order to bring balance in consumption, but also that it has a class character, because it opens the way for strengthening the material foundations of self-management, said the following: "The share of investments in the social product that exceeds 24 percent, does not give us the chance to return to the self-management mechanism. It will systematically push us into statism. It will systematically chew away at the level of utilized capacity. There will be a chronic lack of reproduction materials, as well as individual types of consumer goods."

How can investments be reduced? Once more the determination that that is a matter for the delegate system was confirmed.

It is certainly true that the delegate system has not yet assumed its role in society, but it cannot do so until crucial questions of development have been answered. As Milutin Baltic said, "We really should have revised the plan last year, and then begun to bring things into order." And such a revision would only be possible through the delegate system, and not in the structures that have done everything to "smoke up" the plan by pushing all of their ambitions into it.

From this follows the moral and the obligation to work out the new plan in a different way, which means that those who plan and the things that are planned must be changed. It is perfectly clear that the workers did not do the planning, nor will they plan for overly large investments, nor for disturbances in production and supplying of production materials, nor for parallel capacities, nor for the smashing of the unity of the Yugoslav market, nor for shortages in consumer goods, nor for reductions in real personal income... The self-management system has a firm economic logic and therein lies its strength.

The preparation of the new plan is an especially important task, for return to the market and strengthening the material foundations of self-management must vitalize action for implementing the rights contained in the Law on Associated Labor. Social power must be transferred from territorial political officials to the worker, and not to the enterprise. Economic and social reforms must unfold simultaneously.

Shortcomings of the Planning Process

Zagreb START No 307, 29 Oct 80 pp 33-34

[Article by Milan Gavrovic]

[Text] Instead of five-year planning, we actually have planning every fifth year. That realization leads to the conclusion that the practice of intermediate planning so far has been a form of violence to life, and therefore it is equal to opposing self-management, which is supposed to reflect the full richness and fullness of unhindered development. Our correspondent Milan Gavrovic writes about this burning theme.

At this moment, faced with the Hamletian dilemma to approve or not to approve the plan by year's end, we must calculate while bearing in mind the danger of again becoming the sacrifices of what Kardelj warned in the following way: "Every type of bureaucratic formalism and ruthlessness in the planning system will only weaken its effectiveness." (On the System of Self-Management Planning, The Brioni Discussions, page 132.)

Judging by the actual discussion in society we could conclude that the dilemma about the plan could be couched in the one-time style of French president Giscard d'Estaing, with a "Yes, but..." Yes, --because of the complicated international and domestic economic situations, which demand the coordinates of disciplined behavior, but --profoundly different coordinates than heretofore. In that context, the "but" has even greater specific gravity than the "yes."

The systematization of life into categories, pigeon holes and periods has led to the point where, instead of planning for an intermediate period, for 5 years, we have planning once in 5 years. Among other things, that meant that once in 5 years we had in general an intermediate, five-year agreement on mutual development. It existed only at the moment when it was approved. As soon as the following year, we had only a four-year plan, then a three-year one, a two-year plan, and finally, in the last year of the plan, we had to start all over from the beginning. Such it is this year, 1980.

In the last period of every five-year plan, social contradictions have always shown up and worsened again, while resolution unfortunately was forced under the pressure of the realization that that was the moment when the fate of the entire coming five-year period was decided.

Then the question was always posed, with increased intensity, as to how self-management development could be accelerated. It was a social determination, and for the past 4 years also a legal obligation, that the initiators and planners both must be associated producers. Joint plans must be reached by coordinating individual interests, by their conversion into general mutual interests. The method for this is self-management negotiation and reaching of agreement, which means that planning and the establishment of the system of associated labor is in effect the same task.

Instead of that, under the pressure of time and vain seeking of Archimedes' point, which would make it possible for the self-management society to be built in a single day, like a montage artifact from a package, people began to deal with "practical, vital questions." And that was always reduced to planning investments, with numerous, well-known justifications (at times for their own conscience), —that life cannot wait, that we dare not let it happen that we be short of energy or without sugar, or that we fall out of the trade network or the technological race. Yet there is another, fateful argument, —that others do not philosophize but work. In this they were always thinking about other republics and provinces, as though it were normal to have competitors at home, and collaborators abroad. Accordingly, one should grab his share at the moment when factories, roads and priorities are distributed.

Stronger Than the Law

Several "films" have already been produced using that "scenario" and in every one, the same sequence appears: obtaining the resources for initial (once called preliminary) investments, whose cessation would cause "immeasurable harm", the concentration of investment potential for the construction of new installations in the plan, the extraction of income from the economy and increasing indebtedness abroad, the utilization of newly printed money for final consumption, the weakening of the capital accumulation and reproductive capacities of the economy, the strengthening of the banks as distinctive ministries for the financing of such investments, etc. All of that retarded self-management development (about which we wrote 2 weeks ago in START No 306), while at the same time it provoked serious disturbances in economic life. It does not require much wisdom (must some good memory) to recognize that the conclusion of one and the beginning of a new intermediate plan period has always been a time of stabilization, and that in the middle of

each five-year plan investments have flourished and a serious disharmony in consumption occurred. And that disharmony was outside the plan, as has been confirmed irrefutably in recent days, and did not result from failure to respect agreements and contracts. To be precise, the data showed that in this, as in the previous five-year plan, too large a share for investments was planned from the social product.

That this is not a new problem and that our practice of planning once in 5 years calls forth, almost cyclically, the same disturbances, can be concluded from the following text, which is nearly 10 years old but yet still current today: "It is most essential that we be realistic, that we do not make plans that we will not be able to fulfill. We must also keep in mind that, parallel with the implementation of the intermediate plan, we must assure a certain percentage of growth in the standard of living of the working people. You know, that in our republic and in communities as well there still exist appetites, that everyone would like to plunder something. There are various excuses given, such as that the factory itself will pay back the money by exporting its products. That apparently seems reasonable, but it is not that easy. So far we have progressed at a very rapid rate and accomplished much, but in the future we will have to go at a calmer tempo." Tito made this statement in Stip on 10 June 1970.

Investments are the permanent obsession of planning, on which the sociopolitical communities have a decisive impact. Such plans are stronger than the law, they are stronger than anything, including the logic that 2 and 2 are 4, stronger than life. In the planning process, under the obsession of investment desires, many vital facts are revised. Just one example is the investment planned in 1977 (and a major one at that) using the prices of 1975, in which it was calculated that those prices would not change until the end of 1980. Optimism? We might rather say that it is a peculiar state of the spirit, which is characterized by a loss of a sense of reality. Not even later, when the plans clash with real life, is there a readiness to revise the plans. Crises have occurred in the world, there have been changes in price relationships and the parity of exchange rates, the bases for calculating profitability have gone to the bottom and invented sources of funds have melted away... Firm and unchanged, like bedrock, alone stand the plans.

The definitions, of course, are completely different, in both social and scientific spheres, as well as in legal terms. Kardelj spoke of the principle of "permanent plan continuity" (On the System of Self-Management Planning, The Brioni Discussions, p 134). The following sentences show that he was warning about the dangers of bureaucratic violence to life: "In my opinion, the intermediate plan cycles can differ in different organizations, they can be longer or shorter, and all subjects of planning should not be obliged to fulfill their intermediate plans in a five-year period. It is another question that they should, regardless of the type of plan dynamics they follow, coordinate that dynamics with the five-year social plan of the sociopolitical community... The intermediate plan should constantly be supplemented by new self-management agreements and social contracts by those responsible for planning who participate in its realizations, when it is shown that the long-term plan, upon which the intermediate plan is built, is not realistic..." (On the System of Self-Management Planning, pp 131 and 132.)

Kardelj's perception of the problem is also apparent in the excerpt which, while referring to the annual plan, by experience is seen to refer to a longer period: "In the same manner one should look critically at our current practice in approving annual plans... It is certainly not good practice when throughout the year various problems are heaped up that at year's end must be resolved urgently, so that as a result we are always in a "time crisis." (... Self-Management Planning, p 133)

The end of this intermediate period, which contains the convulsive effort of the society to grasp stabilizing norms of behavior, is also such a time crisis. We have allowed various problems to accumulate that now must be resolved in an urgent manner. Naturally, nothing can really be solved in a hurry. Precisely for that reason the new plan has 2 difficult tasks: to deliberately eliminate the sins of the past and to avoid repeating them in the future. What is the situation today, when the last moment for approving the plan is approaching with the speed of a runaway express? Are we prepared to clear new paths and leave the highway of state planning, which is full of holes, damage and warnings that we must reduce our speed, but still is broad, secure and above all, well-known? On that highway, we have long known who is sitting at the wheel, who is paying for the gas, and who is being towed.

How the Facade is Whitewashed

With emotions probably divided between new principles and old practices, upon demand the planners produce various studies, analyses, drafts and similar planning documents. There are to be found very valuable works that give the necessary information, but in its essence this is all still territorial political planning, although we would suppose with somewhat more consciousness at this moment that the material possibilities are limited. As before, there are deep and uncoordinated interests of regions, republics and provinces to be found.

But inas manner, that is only the phantom of the problem, only the colorful tournament at which the territorial political knights pull on their armor of general interests, ride the battle horses of priorities, and wave the lances and maces of consumer ambitions. It is a fact that this time, the fanfares are much softer than we are accustomed to hearing, and that certainly is a favorable consequence of the stabilizing climate. Below that apparition boils the true, deep disharmony, the disharmony between self-management development and the old, alienated decision process of income and development. "In most republics and provinces, draft agreements have been prepared on the bases for republic and provincial plans, but obviously in relation to the plans in associated labor those are independent acts." This comment comes from the recent assembly debate comment of Berislav Sefer, now a well-informed delegate, and previously the vice president of the Federal Executive Council.

Planning always has a class content. That, it seems, is not perceived by only a few of our economists, who constantly wonder why life never submits to their such lovely and magnificently timed formulas. In an essay on planning, the recently deceased humanist Erich Fromm explained the very essence of the problem thusly: "Let us take the example of the modern use of a computer to select marital partners who will hypothetically be the best matches for one another. Should the prospective bride say, "We plan to marry next month"? That question is not only important for that happy or unhappy pair, but also for the entire conception of social planning. Do we really plan, or are we planned to plan, in accordance with some principles that we do not question and for which we bear no responsibility?"

Huge Reserves

Judging by everything, our economy is more planned than it plans. We intentionally use the term economy, and not associated labor, because it is quite difficult to evaluate the degree to which the plans of economic organizations are self-management in essence. It is clear, however, that action for the implementation of the Law on Associated Labor has largely run its course. In many cases only formal compliance with the Constitution and the Law on Associated Labor has been pursued, in which occasionally the maintenance of old economic relationships has profaned the new form. The technological structure has "whitewashed the facade," (one should not forget that formulation by Veljko Vlahovic), while the ground has gone out from under the feet of the growing self-management forces. The wave of investments has carried away that which is usually called the material foundation of self-management, while state interventionism (not only federal) has been strengthened to unprecedented dimensions.

Obviously, some of our economists consider that planning today is not one of the most important economic functions, that it is one of the things that the administration demands of them and thereby sticks them with one more job, as if they do not have enough concerns of their own. In essence, that is a sign that for them, planning is not a method for amortizing the market element, and they resolve problems of operation and development much more often through the state than in the marketplace.

Another group of economic organizations plans, despite everything, with continuity and permanence. They always retest anew and revise what they have planned and every year they add another year to their intermediate plan. As a rule, these are large collectives in which self-management relationships are the best developed and that have branched out in their relations with the rest of the world. This does not permit them to plan only one time in 5 years, to remain temporarily without a vision of their development, to operate according to old plans even though conditions change, in short, to distribute life into the pigeon holes and drawers of the plan services. In contrast to that, the bureaucracy is always satisfied with itself, it measures itself and by its nature it autarchical and closed off from the world.

For now, these plans are not interconnected and therefore, they have an insufficient impact on overall social planning.

What of all that can be changed in the remaining 2 months, or by 27 December of this year, which is truly the final time for approving a new intermediate plan? Are there chances that it will not signal the start of another investment and consumption cycle, but rather "an instrument of workers, of the self-management organizations and communities, and of sociopolitical communities, in the implementation of their socio-economic, economic, social, cultural, political and other interests and needs, as well as their rights and mutual obligations and responsibilities." (Kardelj, ... Self-Management Planning, p 18) The answer can be both no and yes, at the same time, or more precisely, the answer is, as we wrote at the beginning, yes, but...

That conclusion also follows from the opinion of Dr Vladimir Bakaric, expressed in a conversation with the director the newspaper VJESNIK, Marinko Gruic, on 21 November 1974. (Now, obviously, we should be reading texts from the period "between" 2 plans): ...the association of labor is a process that leads to the plan association of free producers, a process that is led by the working class and therefore, must contain all the elements of that class struggle at the given moment.

"Therefore, it is not enough to say that our social product will be so much, and we must accomplish this, but rather, what will we achieve in the given period in changing social relationships in the first place, what resources will we use to achieve that, and therefore, what forms will that kind of social transformation have."

That means, that if it is not yet possible to achieve a new intermediate plan in a changed manner, it is possible to prepare a plan for changes. It is essential that the agreement on joint development be "an instrument of the class struggle" (Bakaric), that it advance and not confound self-management. Thus we dare not subordinate everything to rates and priorities, and the role of the state, which will continue in the future to be great, must be to implement the policies determined by the delegate system. The plan of changes, for the coming intermediate plan periods, must first of all contain a program for obligatory strengthening of the material foundation of self-management, the tempo of transferring the rights for deciding on the conditions of operation from the state to associated labor (hence, the implementation of a new system), as well as the tempo for actions that will support self-management changes in the economy itself.

That will make it possible deliberately, but with continuity and permanence, to supplement the plan with agreements and contracts on association, on the basis of income interests. That means interests to create income and not only to make investments. With present capacities, according to specialists' estimates, the reserves are enormous, so great that during the coming five-year period (if only half of the reserves were utilized), 320,000 new workers could be employed with no new investments.

Thus, in an income sense, it is possible to find the Archimedes' point upon which, in its construction, the mechanism of self-management planning could be supported. It would consist of 55,000 parts - 32,000 basic organizations of associated labor in the economy and outside the economy, 3,450 labor and mixed organizations, 850 cooperatives, 360 banks, 6,177 self-management interest communities, 11,750 local communities, 512 opcinas, 6 republics and 2 provinces.

Naturally, there are those who think that that is too intricate, impossible, and that some more rational variant of state planning is the only true solution. To a similar assertion, made in the atmosphere of a conservative English club, Phileas Fogg once had answered: "Very possible, on the contrary..." and thus began the famous adventure "Around the World in 80 Days."

Absolutely the opposite, it is possible...

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DORONJSKI DISCUSSES PROBLEMS OF SELF-MANAGEMENT

Zagreb SEDAM DANA (supplement to VJESNIK) in Serbo-Croatian 13 Dec 80
pp 3-4

[Interview with Stevan Doronjski, member of the Presidium of the LCY Central Committee and of the SFRY State Presidency, by Bero Vlaho, Belgrade editor of VJESNIK: "The Danger of a Shaky Peace"]

[Text] [Question] The tasks of society and of the social forces, of the League of Communists in particular, at this point in development of socio-economic relations and the fight for stabilization were the topic of a conversation which VJESNIK's Belgrade editor Bero Vlaho had with Stevan Doronjski, member of the Presidium of the LCY Central Committee and of the SFRY State Presidency. Emphasis was on the extent to which the League of Communists is organized and equipped to overcome the tasks confronting it and our society as a whole, especially in the light of the debates conducted at the 13th and 15th meetings of the LCY Central Committee. This was in fact the question with which the interview began.

[Answer] Even as we were recently preparing the 13th Meeting of the LCY Central Committee and certain current political-ideological issues related to current economic developments and to implementation of the policy of economic stabilization I sensed in the air the opinion of the public that this event was almost decisive to future developments in this sector. I would, however, state my own opinion that our ambitions were not on that scale, that in the end we did not even intend to say anything new. I mean to say that we were not involved in defining goals, this not being necessary since they had been set forth and were well known, nor were we defining any tasks, since the tasks were the same.

It is true, however, that even at the 13th Meeting we went a step further in elaborating last year's conclusions of the LCY Central Committee and of its Presidium. This step can be seen in the more detailed and direct definition of the political stands taken for implementation of the social goals and tasks which had already been defined earlier. Second, our public anticipated that the Central Committee and League of Communists would offer answers and positions in response to certain issues in current development

which are now open questions in society. At the 13th meeting the debate cleared up the political-ideological questions, and we reached agreement on the issues which were a condition and prerequisite for attainment of our unity concerning the basic goals of our future medium-term development.

At the 15th meeting we debated these issues thoroughly and set forth positions. Put most succinctly, we agreed on a firm orientation for development within the limits of the country's material capabilities. Thus again in this debate we resolutely confirmed the commitment that the policy of economic stabilization is to be the backbone of our development programs and of our social practice. We stated that one essential condition for this was that all obstacles to the stronger manifestation and operation of economic laws had to be removed. This will in turn create objective conditions to overcome the tendencies of confinement within local, regional or republic boundaries and violation of the unity of the market, and it will give quite a powerful impetus to our campaign for the pooling of labor and capital on the basis of flows of reproduction and commodity-money flows and reconciliation of interests through self-management, making these things easier to accomplish.

The following very important obligation of party members also follows from these meetings of the Central Committee: to concentrate efforts and political-ideological action on the strengthening, development and more energetic operation of all self-management institutions and the delegate system. After all, in reality it is only through their everyday and deliberate action that we can achieve these goals. This is the right way to impart greater strength to socialist self-management and extend it further. I feel that here we have answered at least some of the basic questions of the present moment or, if I can put it this way, of the present phase of the fight for stabilization and for our future socialist development.

Capital Investments and Other Specific Issues

[Question] Since certain key issues of stabilization in the present phase were debated at these meetings of the Central Committee and since clear commitments were adopted concerning them, what comes next?

[Answer] Now every basic organization of the League of Communists, every forum of the League of Communists, and also party members in the bodies and agencies of sociopolitical communities confront the task of working in concrete terms--of going from issue to issue in very specific terms and of resolving them. Let us take capital investments as an example. Investments are in my opinion the key issue in stabilization. Party members should insist on debate of this issue and on adoption of decisions which will be adhered to. This does not leave room for discussions of principle and generalities. Every organization of associated labor must examine closely its own investment projects, must see whether the financial backing has been provided for them, must see whether continuation of investments signifies a further threat to and deterioration of its own stabilization and then of

stabilization in the broader sense and ultimately of our balance of payments.

It is also up to opstinas, republics and provinces to analyze every one of their investment projects from these same points of view and with respect to these same criteria. To free themselves of their own vanity and of the idea that if they stop building something someone will therefore not be favorably remembered in his sociopolitical organization or sociopolitical community. I think, that is, that this is the way party members should operate if they are guided by the principle of democratic centralism and if they are really to be principled and consistent fighters for the policy of stabilization, for the resolutions of the Presidium of the LCY Central Committee and for realization of the positions which have been taken.

Party members must wage a struggle for specific solutions in their own organization of associated labor, in their own sociopolitical community and in their SIZ [self-managed community of interest] and must win out insofar as they are able. This they must do even at the price of remaining in the minority. The party member must come up to his responsibility and dare not behave as though his only concern was not disrupting a shaky internal peace. It is better to have disagreements, but to know what our differences are. This is healthier and better for our struggle than to have that shaky peace, which objectively masks something which constitutes a major problem of this society or a danger to society's future development.

Two Elements of Opportunism Among Party Members

[Question] The question of opportunism immediately arises in this connection.

[Answer] Certainly. I have already mentioned this question if not exactly directly, then indirectly. You see, we really must ask the question of why we are not undertaking to carry out the political stands when they are clear, why people vacillate in the basic organization or in any forum when, say, they go to the rostrum, from stating and proposing something that perhaps will not be fully understood or will be rejected. Probably the individual thinks at such a time that he will lose points, that people will ask who he is and how he is to be taken? There is also here the question of support from the base and so on. There are all of these elements. In actuality all of this is opportunism.

Or take the representation of interests. If I, for example, am representing my sociopolitical community at the federal level, then I must be aware of the fact that I have been sent there not exclusively to defend the interests of my own sociopolitical community, but to reconcile them with the representatives of other sociopolitical communities. I am thereby objectively representing the interests of my own sociopolitical community, but there is an essential shade of meaning here. Defense at all costs, that is, exclusive representation of particular interests on the one hand and

the reconciliation of interests on the other--those are two different things. We have a duty to nurture that kind of awareness, from the delegations and delegates at the base all the way up to those of us working at the federal level, and an obligation to develop that kind of awareness in the public. I am persuaded that this is very important. If, for example, we are speaking about those of us working at the federal level, we have been sent there to reconcile mutual interests, but first, or perhaps first of all, we have been sent there to see to the totality of interests of that Federation, of the sociopolitical community which is called Yugoslavia.

[Question] Nevertheless, reconciliation of interests often leads to compromise. Experience demonstrated this even in the past, and it is also evident now in the effort to reach agreement on the social plan for the country's development over the coming medium-term period. And it would seem that compromises are our reality.

[Answer] That is true. We must all be aware that in the process of reconciling interests we must come to compromises, or, to put it better, to agreement. After all, an interest as someone has formulated it may not be acceptable to all and still less may it be dominant and imposed on anyone. This is something we have already said many times.

[Question] Yes, but what happens then is that people who do not pursue to the end what we shall refer to as an interest begin, for example, to lose credit in the base which delegated them, become subject to suspicion as to their devotion to the base, and subject even to political suspicion.

[Answer] Yes, that does happen. But I would say this on that topic: The contest of opinions when we have come together to establish what we have in common and to verify the common interest on the basis of the pluralism of interests in self-management is one thing, and the individual give-and-take in the contest of opinions, if we may refer to it as that, is something else. What I am implying here is the ability and indeed the courage on the part of a man who is sent to represent some particular interest to say to those who have sent him: "This is the real thing, this is the common interest." And to persuade them of it. He must also explain to his delegate base the interests of others, that is, to help toward a better understanding of their nature. But the explanation of the interests of others must be objective, and not so slanted that the predominance of one's own interests is ensured by the way they are presented. So, you see, this is what we lack. This is that other element of opportunism in party members. I think that we are doing very little to nurture that recurrent contest of opinions within the League of Communists. So, on this point as well we should begin with party members and require them to behave responsibly and like communists in these situations as well.

There Is Still Some of the Old Routine Work

[Question] I believe that we will agree that not only the responsibility, but also the degree of organization of the League of Communists is bound up most closely with everything we have been talking about.

[Answer] The question of the level of organization is a major question and I feel that party members cannot even do what is their duty and their responsibility as party members unless they are well organized. I would like to recall that in the LCY Bylaws we took as our point of departure and stated there the definition that the League of Communists, its basic organizations, should be in basic organizations of associated labor. Precisely in those cells of society where the basic production relation is resolved. It is from there that all the initiatives of the League of Communists and its broad activity should come.

We have envisaged action conferences for everything that needs to be debated jointly, for reconciliation of views, and for agreement and coordination of joint action. They should be invigorated to the greatest possible degree, political-ideological commitments should be adopted at them as much as possible, and agreement should be reached at them concerning the common cause. Yet this should not be an institution that stands above the basic organizations of the LCY, but a form whereby they democratically reach agreement on an equal footing, reconcile their opinions and coordinate their actions.

[Question] You used the word "should." Does this mean that you feel that the action conferences are not yet what they must be, that the new organizational forms for the activity of the LCY, which were established in the bylaws, have not yet attained the full citizenship intended for them?

[Answer] As far as that goes, I have the impression that our opstina party committees have not been forthcoming. I have the impression that they have not been altogether ready to accept these changes, which in actuality are the fruit of the development of self-management relations in society and of democratic relations within the League of Communists, a means whereby changes in society are being reflected in the internal relations within the LCY. I believe that the opstina committees are not adequately following this development and that they still have quite a bit of that old routine way of going about things that dates from the time of the professional committees.

For instance, I was recently in an agroindustrial combine which covers an entire region of Vojvodina and extends over four or five opstinas. It is self-evident that they have a very great deal to do with community affairs at the opstina level and that there should be an exchange of opinions and an agreement. I asked them--Have you opstina committee secretaries gotten together with communists in the SOUR [independent organization of associated labor] at an action conference to debate those overall issues which

are also of interest to the opstinas? They said: "No, we haven't." And why not? "Well," they said, "we think that if there is a need for us to get together, the provincial committee will bring us together."

Economic Laws Cannot Withstand the Administrative Approach

[Question] At this point, Comrade Doronjski, allow me one question which to some extent seems to enter into the domain of organizational problems and of the commitments we have been talking about. It is a question of respect for economic laws. We are witnesses that sometimes in the fight for stabilization we are not sufficiently respecting the laws of economics, which, experience has shown, are very stubborn, and often have a boomerang effect when one fails to honor them. What do you think, are we always right when we resort to administrative measures? Are administrative interventions always the only way out, or are they at times the result of taking the line of least resistance, of nervousness and the like?

[Answer] I personally think, and that is not merely my own opinion, it is our general ideological commitment, that failure to respect economic laws is generating large problems. We debated this quite a bit at the 15th Meeting of the LCY Central Committee. For instance, we have a very pronounced administrative approach in the price field. I know from experience that the administrative approach is extremely undesirable in this sector and that whether we like it or not it has an adverse effect not only on price relations and the growth of inflation, but also on other relations in reproduction and on general trends in the economy. I would say that in general economic laws do not withstand the administrative approach. But economic laws do not withstand confinement of the market either. How can we speak about their operation if there is no unified Yugoslav market? So long as we understand, of course, that economic laws will not in and of themselves resolve the issues either. These laws must also be mastered. I even think that the most difficult thing is for us to find the way to guide their operation through self-management.

When I mentioned that it was most difficult to master the laws of economics on a basis of self-management, it was no accident that I took prices as an example. We all saw how long it took to prepare the Law on Prices, what a long and difficult labor that was. In the end we got it, and again the Federal Executive Council has had to seek a 6-month postponement of the law's application. Why? Because the competent authorities did not prepare or were unable to prepare within the prescribed period a number of sublegal enactments and did not anticipate what operation of this new law would be like. Social practice will probably reveal the shortcomings of this law, but it is still a step forward from the situation we have at present. And what do we have now? We have an old rather statist mechanism which does not conform to our self-management system, a mechanism which is falling apart, and the new self-management mechanism is still not in operation. The result is a no-man's land in which we have rather haphazard behavior in both the price sector and the market as a whole. I am certain that we

will not achieve anything here through administrative strokes, but solely through self-management regulation, which to some extent we have conceived in the new law.

[Question] Now that we are talking about matters which are not altogether in the spirit of our self-management commitments, the position of associated labor, which we have said must be dominant in our system, certainly comes up at this point. It is related to those interests of the republics and provinces you have already mentioned and which are the subject of their efforts at agreement. In short, one somehow gets the impression that the interests of associated labor are still viewed in the context of the interests of the republic or the province.

[Answer] Well, you see, the one who holds the resources is the one who enters into agreement. You have led me quite properly to the question of whose influence the major portion of income is subject to? It is well known, and we have said this at the recent meetings of the LCY Central Committee, that OOUR's [basic organization of associated labor] possess one-third of the income, and sociopolitical communities, the banks, SI2's, and also the Federation have two-thirds of it. Though formally the latter are not investors, nor do they exchange labor, associated labor is still left such a minimum amount of resources that there is very little which it can pool. Today OOUR's are left a share of income barely adequate for simple reproduction, and with that amount one cannot enter into self-management accords on the pooling of labor and capital.

If the OOUR's possessed a far larger income, then they would follow the logic of commodity flows and the logic of reproduction. I am absolutely convinced of this. And that is why the essence of our struggle is not a matter of shouting at the republics and provinces, but we ought to be fighting so that income is at the disposition and subject to the management of whoever realized it. And we ought to be disenfranchising those who are now taking away the income of associated labor in various ways with various excuses, with various plans and goals, and who are actually dividing it up without associated labor and are defining its interests in its name. That is a fight we must take to the end, since both the 11th and 10th LCY congresses were altogether clear in stating this. Only then and only in that way will associated labor be in a position to become an independent entity in entering into association without government interference.

Achievement of Material Strength Through Democratization

[Question] You have spoken, Comrade Doronjski, about the future development of our socialist self-managed society and within that framework about the changes that have come about in further democratization of society and of the League of Communists. Today we have quite a few difficulties in the economic field. To what extent are the present economic flows, which we might refer to as those of a crisis, favorable to the development of social and party democracy, or do they essentially hinder it?

[Answer] Economic flows of crisis, certainly they cannot favor development of democracy in the League of Communists and in society. In historical terms, and I think you had that in mind when you put the question, it is a fact that sometimes moments of crisis in society have been the initiator, if I can put it that way, of the subjective forces, or they have speeded up their action to clarify the problems, which was done in a democratic way. They have at the same time given a stronger thrust to democratic development both in the party and in society. There have been such situations. That was the case in 1948, and even in that phase before the constitutional reform, in the period of nationalism and technoliberalism. Let us take this latter. Precisely in that crisis, in the phase of stagnation of socioeconomic relations, at a time when we had not clearly defined the prospects for the further development of society, specifically the prospects for development of self-management, it even came to the point of formation of factions within the League of Communists representing a different political-ideological alternative and with claims of becoming both the holders of power and also the executors of a different social concept. As we know, we emerged from that crisis and overcame it by clearly defining social development through self-management. It is here, of course, and in particular that the 10th LCY Congress had an extremely important role to play along with Tito's speech at the 10th congress, which provided an exceptionally clear platform for our long-range development.

If I have understood your question, then I might reply that perhaps these moments of crisis have speeded up and stimulated the creative forces in the League of Communists to seek answers for the development of society more rapidly, more comprehensively and more thoroughly. But I feel that we must not look upon either the democratization in society or democratization in the League of Communists from the standpoint of crises. We must endeavor to avoid crises, and in order to avoid them we must have a clear way out in good time, must define clear pathways, and a clear political-ideological and social orientation in our development. This we must do in a democratic way. Only if democratic procedure is thoroughly developed in this area will the orientation then take on material strength and become the property of the [working] class, the property of the working people, and it will then be the greatest and most important guarantee that what has been set forth will in fact be accomplished.

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FIRMS FROM OUTSIDE KOSOVO BUILD PROJECTS THERE

Belgrade KOMUNIST in Serbo-Croatian 28 Nov 80 p 16

[Article by Zarko Bakic: "Stimulus to Pooling"]

[Text] It is well known that one of the essential conditions for Kosovo's faster development, as has been emphasized in many documents and positions concerning development policy adopted at all levels, is the pooling of labor and capital and also other forms of cooperation of organizations of associated labor in that province and of associated labor from other areas of the country. Examples of the diverse cooperation between Slovin of Ljubljana and Agrokosovo, between Gosa (Smederevska Palanka) and Metalac (Gnjilane), between Gorenje (Velenje) and the Electric Motor Factory in Djakovica, metal furniture factories in Gornji Milanovac, Bela Palanka, Baljevac na Ibru, Belgrade, Velika Kladusa and Suva Reka, investments of Energoinvest of Sarajevo and Termika of Ljubljana in the Pristina Opstina, to mention only these, best confirm the correctness of that commitment and prove its justifiability.

After Many Years of Business Collaboration--Joint Investment Projects

Begin, say, with Slovin and Agrokosovo (an unprejudiced and random choice, one obviously not based on the scope and quality of cooperation). This collaboration is in the field of agriculture or, to be more precise, viticulture, for whose development Kosovo incidentally has exceptional conditions. So, these two organizations have reached agreement in the context of self-management concerning joint investments to create large vineyards at Orahovac and Suva Reka, traditional grape-growing areas. These large vineyards are to cover an area of 1,000 hectares (500 hectares in Suva Reka Opstina and 500 in the Orahovac Opstina), and about 400 million dinars will be invested in this project. Agrokosovo is putting up two-thirds of the money for this investment undertaking, and Slovin one-third. According to the self-management accord, the two organizations will follow that same proportion in the bearing of the risks and in the creation of distribution of income.

What is happening now in relations between Slovin and Agrokosovo is actually a kind of extension of collaboration between these two organizations that has lasted for all of 20 years now. That is, for 20 years Slovin, Navip and Agrokosovo have each had one-third interest in the final processing of Kosovo wines and in their sale on the foreign market, mainly West Germany. Up to now these relations have been those of sales transactions, but soon they will be put on the basis of shared income.

Slovin, incidentally, has been involved in Kosovo before this. In 1977 it collaborated with Agrokosovo in building a Coca-Cola bottling plant in the small and underdeveloped Lipljan Opstina. It invested 720 million dinars in construction of that project, and the Slovenian firm invested 30 percent of the funds. Today this basic organization of associated labor of Slovin, which employs 150 workers, has an output of 16,000 bottles per hour (utilization of capacity is 93 percent), and its remainder of income, on the basis of accounts for the first three quarters, is 12 million dinars.

The reconciliation of interests and equality of partners in the self-management pooling of labor and capital is also confirmed by the example of Gosa and Metalac in Gnjlane. The former building trades plant, established in 1948, which previously employed 55 workers, pooled its labor and capital in July 1977 with the Gosa SOUR [independent organization of associated labor], or, more precisely, with the Equipment and Metal Fabrications Factory. Immediately after the association was formed, Metalac began to build a new plant for the production of metal structural fabrications, which was completed and went into operation the very next year, in 1978. The amount invested to build this new factory, whose shop has a floor space of 2,100 square meters, was 17 million dinars, and it employs 165 workers. This basic organization of associated labor of Gosa has been showing a profit in the year since it was formed. In the first 9 months of this year, for example, it had a remainder of income amounting to nearly 2 million dinars, and it exceeded the output plan by 15 percent. It is realistically anticipated that by the end of the year it will have exceeded the target by about 25 percent.

Joint Investments To Conquer the Foreign Market

In addition, again within the framework of cooperation between Gosa and Metalac, 2 months ago construction began on a mining equipment factory in which 190 million dinars will be invested (the funds have been provided through the Associated Bank of Kosovo).

A few years ago the Electric Motor Factory in Djakovica, one of the work organizations of Electronic Industry of Nis, was on the verge of closing. It was not a question of the working people of that collective making a greater or lesser effort to achieving production targets or of their productivity. It was simply a question of the market, of the diminished demand for their products. Then Gorenje of Velenje came along and began to buy most of the electric motors for its household appliances. This year,

incidentally, the factory will produce 120,000 electric motors worth 150 million dinars, which is threefold its output in 1978.

Aside from that, and this is the most important, Gorenje and the Electric Motor Factory at Djakovica are jointly building a new plant with an output of 1.2 million electric motors per year. The investment in that project is 200 million dinars (Gorenje has a share of 12.8 percent of the funds).

Another type of successful cooperation is being carried on by the associated labor of Gornji Milanovac, Bela Palanka, Belgrade, Baljevac na Ibru, Velika Kladusa and Suva Reka by their joint purchase of a license to build a metal furniture factory from the Italian firm Secco. In Suva Reka this factory, which has employed 140 workers and which will produce 50,000 square meters of metal furniture per year, began pilot production during the summer, and is expected to go into regular production on Republic Day [29 November]. Under the 10-year contract on business and technical collaboration the factory in Gornji Milanovac is required to furnish all the others in this grouping the necessary metal shapes, and the Belgrade factory the auxiliary components. At present the agreement is being carried out effectively.

New Projects

And finally, construction has begun on two other new projects in Pristina. A few days ago the president of the Pristina and Bezigrad (Ljubljana) opstinas laid the cornerstone for construction of a plant of Termika of Ljubljana which will produce fireproofing and soundproofing components. In the first phase of operation this economic project will employ 150 workers, and later 250. On the anniversary of Pristina's liberation construction began on another factory of Energoinvest of Sarajevo in the capital city of Kosovo. The new factory, whose construction will cost 122 million dinars, is planned for completion by next May and will employ about 140 workers.

All these examples confirm that the pooling of labor and capital by associated labor in Kosovo and from other regions of the country, as well as other forms of cooperation between them have been yielding rather good results and have opened up new prospects for continuation and reinforcement of this process, which would be still broader and at a higher level of quality. This joint economic enterprise, sharing of income and business and technical collaboration and cooperation will make it possible to achieve still better results in the future, which we can realistically anticipate.

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